



**INDONESIA AND MALAYSIA COOPERATE IN
PROMOTING PALM OIL THROUGH COUNCIL OF
PALM OIL PRODUCING COUNTRIES (2015-2018)**

By : Fauziah Sandini Pulubuhu

ID No: 016201500131

A thesis presented to the
Faculty of Humanities President University
In partial of the requirements for
Bachelor's Degree in International Relations
Concentration in Diplomacy

2019

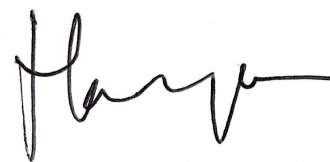
THESIS ADVISER

RECOMMENDATION LETTER

This thesis entitled “**INDONESIA AND MALAYSIA COOPERATE IN PROMOTING PALM OIL THROUGH COUNCIL OF PALM OIL PRODUCING COUNTRIES (2015-2018)**” prepared and submitted by Fauziah Sandini Pulubuhu in partial fulfillment of the requirements for the degree of Bachelor in the Faculty of International Relations, Communication and Law has been reviewed and found to have satisfied the requirements for a thesis fit to be examined. I therefore recommend this thesis for Oral Defense.

Cikarang, Indonesia, 27 February 2019

Name and Signature of Adviser



Dr. Endi Haryono, M.Si.

DECLARATION OF ORIGINALITY

I declare that this thesis, entitled “**INDONESIA AND MALAYSIA COOPERATE IN PROMOTING PALM OIL THROUGH COUNCIL OF PALM OIL PRODUCING COUNTRIES (2015-2018)**” “is to the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, Indonesia, _____

Name and Signature of Candidate



Fauziah Sandini Pulubuhu

PANEL OF EXAMINER APPROVAL SHEET

The Panel of Examiners declare that the thesis entitled **“INDONESIA AND MALAYSIA COOPERATE IN PROMOTING PALM OIL THROUGH COUNCIL OF PALM OIL PRODUCING COUNTRIES (2015-2018)”** that was submitted by Fauziah Sandini Pulubuhu majoring in International Relations from the Faculty of Humanities was assessed and approved to have passed the Oral Examination on 27th of February 2019.



Hendra Manurung SIP, M.A.

Chair - Panel of Examiners



Bustanul Arifin BA.IR, MA

Examiner II



Dr. Endi Haryono.,S.IP.,M.Si

Thesis Adviser

ABSTRACT

Title: INDONESIA AND MALAYSIA COOPERATE IN PROMOTING PALM OIL THROUGH COUNCIL OF PALM OIL PRODUCING COUNTRIES (2015-2018)”

Indonesia and Malaysia lead the Palm Oil industry with 85% of the total Palm Oil production in the world. Palm Oil to be known as a commodity in boosting Indonesia and Malaysia economic development due to the global demand that increase every year. Hence, in maintain the sustainability of Palm Oil Indonesia and Malaysia cooperated in established Council of Palm Oil Producing Countries in order to Promoting Palm Oil nationally and internationally and to be engage with the other producing countries. Thus, this thesis using qualitative method so the data would be from official government report, speeches, books, journals, official sites, and official news and will give deep explanation on how both countries are cooperate in conducting CPOPC projects as their national interest in palm oil sustainability. Through CPOPC that established in 2015 Indonesia and Malaysia are cooperate in increasing the number of Palm Oil production and land, increase the Palm Oil workers and stabilize CPO price in line with the CPOPC project which conduct by Indonesia and Malaysia through planned the Palm Oil Green Economic Zone (POGEZ), Implementing Good Agricultural Practice (GAP), B20 policy, and joining public forum with the International Organizations.

Keywords: Indonesia & Malaysia, Palm Oil, Economic Cooperation, Council of Palm Oil Producing Countries

ABSTRAK

Judul: KERJASAMA INDONESIA DAN MALAYSIA DALAM MEMPROMOSIKAN MINYAK KELAPA SAWIT MELALUI NEGARA-NEGARA PENGHASIL KELAPA SAWIT (2015-2018) ”

Indonesia dan Malaysia memimpin industri Minyak Sawit dengan 85% dari total produksi Minyak Sawit di dunia. Kelapa Sawit dikenal sebagai komoditas dalam mendorong pembangunan ekonomi Indonesia dan Malaysia karena permintaan global yang meningkat setiap tahun. Oleh karena itu, dalam menjaga keberlanjutan Minyak Sawit Indonesia dan Malaysia bekerja sama dalam Dewan Negara Penghasil Minyak Sawit yang telah dibentuk dalam rangka Mempromosikan Minyak Kelapa Sawit secara nasional dan internasional dan untuk terlibat dengan negara-negara produsen lainnya. Dengan demikian skripsi ini menggunakan metode kualitatif yang dimana datanya berasal dari laporan resmi dari pemerintah, pidato, buku, jurnal, situs resmi, dan berita resmi dan juga skripsi ini akan memberikan penjelasan mendalam tentang bagaimana kedua negara bekerja sama dalam melakukan proyek CPOPC sebagai kepentingan nasional mereka dalam keberlanjutan minyak kelapa sawit. Melalui CPOPC yang didirikan di tahun 2015 Indonesia dan Malaysia bekerja sama dalam meningkatkan jumlah produksi dan lahan Minyak Sawit, meningkatkan pekerja Minyak Sawit dan menstabilkan harga CPO sejalan dengan proyek CPOPC yang dilakukan oleh Indonesia dan Malaysia melalui rencana Zona Ekonomi Hijau Kelapa Sawit (POGEZ), Penerapan Praktek Pertanian yang Baik (GAP), kebijakan B20, dan bergabung dengan forum publik dengan Organisasi Internasional.

Kata kunci: Indonesia & Malaysia, Minyak Kelapa Sawit, Kerjasama Ekonomi, Dewan Negara Penghasil Minyak Sawit

ACKNOWLEDGMENT

Bismillahirrahmanirahim

First, I would like to express my greatest gratitude to Allah SWT for all the grace that has given to me in reaching this phase and complete my University life.

Second, I would like to say thank you for my parents who are always there to accompany each journey and helped author by provides support, believe on the writer, gives all suggestion and advice in any situation, the author will not be at this stage without prayer and blessing from the two most valuable people. Also the love and gratitude addressed to the younger siblings of author, Fitri Ardina, Fadhilah Aminah Tulhaq and Muhammad Fahmi Diar who always gave encouragement and strengthened the author in every journey.

Third, I would like to thank to Mr. Endi Haryono for contribute greatly on this thesis, giving support and advice to author in completed this thesis and also to international relations lecturers who have given all the knowledge to the author to reach this stage, without any support the author does not easily complete this thesis.

Fourth, I would like to express my thankful to Risnanda Praditya Irawan who has been fought with the author since entering the first year of this university, giving advice, trusting the ability of the author and accepting all the weaknesses of the author. Also to Rizki Maryam Amanda, Ulfah Nurhasanah, Tyana Pramita, Deby Sandra, Taramitha Amelia, Siti Adelia, Julia Lesmana and Clara Risa, Jella Christania, Riffadel Muhammad, Jansen Gamaliel who stand with the author, fought together and accompanied 24 hours.

Fifth, thank you to 5weet, Umi Kalsum, Suci Liasriani, Sheila Shafira, Waode Anggi for encouraging writers from a distance. Gave advice and never forget in caring the author.

Sixth, the author would like to thank to Anak SGM who have fought together, Rizka Renata, Aulia Magdani, Vidia, Nandarista, Krisna Dana, Reynaldo Montolalu, Muhammad Fadhil Saminan, Muhammad Nanda, Robert Risyanto, Steven Hutomo, and Billy.

Seventh, I would like to thank Nadillah, Erika, Lucky, Aisyah, Sandro Matt, Putri, Christeen, and Pricell who have believed that the writer can complete this thesis while completed the Internship.

Eighth, the author would like to thank Vishal Rana who accompanied the writer at the end of the author's journey and was kind enough to improve the grammar of the writer sincerely. Thank you for all motivation, caring the author in reaching this stage

Finally, I would like to thank you for all of my friends in the International Relations Batch 2015 who have colored the university's life for four years. Hopefully, we can complete our university life as soon as

January 2019

Writer,

Fauziah Sandini Pulubuhu

LIST OF FIGURE

Figure 1.1 Theoretical Framework Scheme	16
Figure 2.1 Palm Oil World Production and Consumption	22
Figure 3.1 Indonesia and Malaysia Palm Oil Plantations.....	46
Figure 4.1 Indonesia Data for Palm Oil Production	66
Figure 4.2 Malaysia Data for Palm Oil Production.....	67
Figure 4.3 Indonesia & Malaysia Number of Palm Oil Workers...	72
Figure 4.4 CPO Global Price.....	76

LIST OF TABLE

Table 2.1 Palm Oil Export & Import Value by Producer and Consume Countries (2004 & 2014).....	22
Table 3.1 Indonesia Palm Oil Export Performance (2008- 2014).....	37

LIST OF PICTURE

Picture 4.1 CPOPC Executive Director joining WTO Public Forum.....	79
Picture 4.2 CPOPC Joint Research with UNCTAD.....	82.
Picture 4.3 FAO Director Jose Graziano da Silva & Executive Director of CPOPC.....	84
Picture 4.4 CPOPC in International Oil Palm Conference.....	86

TABLE OF CONTENT

THESIS ADVISER RECOMMENDATION LETTER.....	i
DECLARATION OF ORIGINALITY.....	ii
APPROVAL SHEET PANEL OF EXAMINER.....	iii
ABSTRACT.....	iv
ABSTRAK.....	v
ACKNOWLEDGEMENT.....	vi
LIST OF FIGURE.....	viii
LIST OF TABLE.....	ix
LIST OF PICTURES.....	x
TABLE OF CONTENT.....	xi
CHAPTER 1 – INTRODUCTION.....	1
1.1 Background of Study	1
1.2 Statement of Problem	4
1.3 Research Question	4
1.4 Research Objectives.....	4
1.5 Significance of Study.....	5
1.6 Literature Review	5
1.7 Theoretical Framework.....	10
1.7.1 Neo-liberal Institutionalism	10
1.7.2 Complex Interdependence.....	13
1.7.3 Absolute Gain.....	15
1.8 Conceptual Framework.....	16
1.9 Scope and Limitation of Study	16
1.10 Research Methodology	17

1.11 Outline of Chapter	17
 CHAPTER 2 – PALM OIL INDUSTRY	
2.1 Palm Oil Development	19
2.1.1 Palm Oil History	19
2.2 Palm Oil in International Stage.....	21
2.2.1 Leading the Agricultural Sector	21
2.2.2 International Standard for Palm Oil Sustainability	24
 CHAPTER 3 - THE ESTABLISHMENT OF COUNCIL OF PALM OIL PRODUCING COUNTRIES & THE IMPORTANCE OF PALM OIL FOR INDONESIA&MALAYSIA.....	
.....	30
3.1 The Importance of Palm Oil to Indonesia Economic Development	30
3.1.1 Industrial Development of Palm Oil in Indonesia.....	30
3.1.2 Support Indonesia Foreign Exchange by Export Performance.....	32
3.1.3 Palm Oil contribution to Indonesia GDP.....	33
3.1.4 Palm Oil Contrubution to the Local Economies and Small Holders.....	34
3.1.5 The Export Performance of Indonesian Palm Oil.....	35
3.2 The Importance of Palm Oil to Malaysia Economic Development.....	38
3.2.1 Industrial Development of Palm Oil in Malaysia.....	38
3.2.2Malaysia Palm Oil to Economic National Development.....	40
3.2.3 Providing Employment in the Palm Oil Industry.....	42
3.2.4 Increase the awareness of Palm Oil use.....	43
3.2.5 The Export Performance of Malaysia Palm Oil.....	43

3.3 Indonesia and Malaysia Palm Oil Upstream & Downstream Development	44
3.4 The Cooperation of Indonesia and Malaysia in Maintaining the Palm Oil Sustainability.....	47
3.4.1 Established Council of Palm Oil Producing Countries.....	47
3.4.2 Ratifying CPOPC by Indonesia and Malaysia.....	50
3.5 Council of Palm Oil Producing Countries.....	52
3.5.1 What is CPOPC Stand For.....	52

CHAPTER 4 - THE COOPERATION OF INDONESIA & MALAYSIA IN CONDUCTING COUNCIL OF PALM OIL PRODUCING COUNTRIES PROJECTS.....
.....56

4.1 Harmonizing ISPO & MSPO (Indonesia and Malaysia Palm Oil Standard).....	56
4.2 Palm Oil Green Economic Zone.....	58
4.2.1 POGEZ in Riau.....	60
4.2.2 POGEZ in Kalimantan.....	61
4.2.3 POGEZ in North Sumatera.....	63
4.2.4 POGEZ in Malaysia.....	64
4.2.5 POGEZ effecting the increasing number of Productivity (Land and Production) Indonesia and Malaysia.....	67
4.3 Good Agricultural Practice.....	69
4.3.1 The Increasing Number of Palm Oil Labour / Worker.....	72
4.4 Stabilizing CPO price in the global market by B20.....	73
4.5 Participated in The Global Forum.....	78
4.5.1 World Trade Organization Public Forum.....	79
4.5.2 CPOPC Joint Research with UNCTAD.....	82
4.5.3 FAO with CPOPC.....	84

4.5.4 CPOPC in International Oil Palm Conference.....	86
4.6 The Role of CPOPC for Indonesia and Malaysia in Cooperate for Palm Oil Sustainability.....	89
4.6.1 The work of Institutionalism into Indonesia and Malaysia Palm Oil Cooperation.....	90
4.6.2 The Complex Interdependence of Indonesia and Malaysia to the Increasing of Palm Oil Production Number.....	91
 CHAPTER 5 – CONCLUSION	
.....	93
References.....	95
Appendix.....	110

CHAPTER 1

INTRODUCTION

1.1 Background of Study

Indonesia and Malaysia are the world's largest producers of palm oil and make both countries play a significant role in the trade of the palm oil industry with the current account for 85% the global palm oil production (UNDP, 2010). Both countries are aware of the potential of the palm oil sector is very strong and profitable, and the agreement was created in order to increase the productivity and also for the sustainability of palm oil in national and international levels.

The increasing of palm oil consumption is effect to the number of palm oil production as well as to the development of the Palm oil industry in the world. The Palm oil is has been ranked first in the vegetable oil market in the world, which is around 30% then followed by oil soybean (29%), rapeseed oil (14%), sunflower oil (8%), and others vegetable oil (19%) (Calle F, Pelkmans L, Walter A, 2009). The Palm oil demand has continuously increased in the last few years with many advanced countries which switched from the use of Trans fat to healthier alternatives. Palm oil is often used as a trans-fat substitute because it is one of the highly saturated vegetable fats semi-solid at room temperature, and relatively cheap (UK Department for Environment, 2017).

The Increasing demand for Vegetable Oil as a common commodity in the world along with the growth of population requires countries to produce resources that can meet human needs. In 2050 the demand for vegetable oil will increase with an estimated 95.7 million tons (Fry, J , DPhil, Fitton, C, Bsc, 2013). Especially Southeast-Asia has the potential in the Palm Oil plantation, Indonesia, Malaysia, and Thailand is the highest countries in the world that produce Palm Oil. In this era, Palm Oil leading the vegetable oils produced globally which also known to contribute to the global consumption approximately 60% on International trade in vegetable oils. With the soil condition and

extensive land for Palm Oil plantation based in Indonesia and Malaysia making both countries gain more benefits from Palm Oil sustainability (Center for International Forestry Research, 2017) .

Many benefits can be obtained from Palm Oil production. The use of Palm Oil can be beneficial for Indonesia and Malaysia that can be used as a business for both countries and become a product with great potential in the International market as well as a new energy source in replace petroleum and also to be expected as a long-term alternative energy source.

Not surprisingly, the two countries Indonesia and Malaysia are involved in reasonably strong competition in developing their Palm Oil industry through improving the Research and Development, the technology that will be used for the Palm Oil production and set various strategies to strengthening their relations to the importer countries. Historically, Malaysia as a country that became a pioneer in the development of Palm Oil, then followed by Indonesia and even dominated the Palm Oil industry until now. Hence, the government of the two countries jointly endeavored to build a Palm Oil organization that aims to run the Palm Oil market to be productive and profitable (Bruno, N.D).

The Palm Oil popularity has been remarkable in vegetable oil as the most needed commodities and especially in the developing countries which are facing the paradox from some parties that banned the Palm Oil use due to the environmental issues such as haze, deforestation, greenhouse gas emissions, social issues and others, bring those production countries to the dilemma of Palm Oil sustainability.

In 2009, new regulations were issued by European countries to reduce the use of palm oil which caused various kinds of environmental problems, were passed through the European Union's RED or Renewable Energy Directive (RED). RED itself is a regulation that requires all European countries to use clean and renewable energy. If previously it was known that Malaysia used biofuels as biofuels to replace fossil fuels, but to support the environmental system and the achievement of the SDG's 2030 the European Union set several criteria for biofuels raw materials, including land used to develop biofuels raw

materials should not damage biodiversity and must save greenhouse gas emission (EuropeanComission, 2018).

However, the RED turns out to limit the export of Palm Oil from Indonesia and Malaysia to the European Union; this is due to the assumption that Indonesian and Malaysian Oil Palm does not meet the criteria for biofuels raw materials applied RED. European Union accusations that crude palm oil originating from Indonesia and Malaysia are not environmentally friendly. Indonesia responded in establishing standards and implementing various sustainable CPO certifications starting from the Roundtable on Sustainable Palm Oil (RSPO), the International Standard for Carbon Certification (ISCC) and Sustainable Agriculture Network (SAN) (Yaap B, Paoli G, 2014). Then, the Indonesian government strengthening the legal framework for sustainable palm oil by issuing regulations of the Minister of Agriculture of the Republic of Indonesia Number 11 / Permetan / OT. 03/3/2011 concerning the guidelines for the Indonesian Sustainable Palm Oil Plantation and four years later issued a regulation on the Indonesian Sustainable Palm Oil certification system (Kemenperin.go.id, 2015).

Furthermore, in 2015, the Indonesian government together with Malaysia combined the ISPO with the standardization of Malaysia's national palm oil which is the MSPO (Malaysian Sustainable Palm Oil) that forms CPOPC. Where CPOPC is an intergovernmental council that aims to promote sustainable CPO practices, encourage CPO production, control the supply of CPO in the global market and increase the welfare of small farmers (Rival, 2016).

Indonesian and Malaysia have discussed the idea of collaborating in developing the Palm Oil sustainability was proposed in 2006, but there was no further discussion until it appeared in 2015 that the issues become more serious. Then, in 2015 Joko Widodo President of Indonesia and Datuk Seri Najib Razak as Malaysia's Prime Minister, the two countries agreed to expand the Palm Oil industry by establishing a Council of Palm Oil Producing County (CPOOC) The CPOPC was then realized in the issuance of Presidential Regulation No.42 of 2016, ratifying the Charter of the Council of Palm Oil Producing Countries. By the establishment of CPOPC it is expected for Indonesia and

Malaysia can cooperate in promoting the Palm Oil market by setting a new standard which also approves to the EU that they can reduce the Palm Oil negative issues (JakartaPost, 2015).

Also, CPOPC as an intergovernmental organization between Indonesia and Malaysia as the world's two biggest CPO producers in counteracting negative issues, one of which is the EU's accusation and can make it easier for them to negotiate on the palm oil market. Hence, the purposes of the establishment of CPOPC (Council of Palm Oil Producing Countries) aimed to promote cooperation and investment in developing the zone of the sustainability and friendly environmental palm oil industry.

1.1 Statement of Problem

Since Indonesia and Malaysia have the same potential regarding Palm Oil production which can help them boost the Economic development, both countries can utilize the Palm Oil production to be more effective and beneficial for their country, following the demand of vegetable oil. Indonesia and Malaysia have agreed to cooperate in establishing the palm oil organization in order to promote the palm oil in the international stage; this was further strengthened by the establishment of CPOPC (Council of Palm Oil Production Countries) in 2015.

1.2 Research Question

How did Indonesia and Malaysia cooperate through the Council of Palm Oil Producing Countries in promoting Palm Oil?

1.3 Research Objectives

□ To explain Indonesia and Malaysia cooperate as establisher of CPOPC in promoting Palm Oil.

1.4 Significance of Study

- The study case of Indonesia and Malaysia in establishing the CPOPC will describe two key points of study that may be useful to contribute to both society and academic as well.
- In purpose for academic, this thesis gives references related to the topic that might be useful for academicians or scholars for further research.
- This study aims to explain more about Indonesia and Malaysia cooperating in promote the Palm Oil through CPOPC.

1.5 Literature Review

The purpose of this sub-chapter is to discuss and review the studies of previous findings from book, journal and article which related to the topic that will be examined by the researcher of this study. The previous literature studies can develop knowledge and also information for this research and also can enrich the discussion of research.

In the research of the establishment cooperation between Indonesia and Malaysia in the palm oil sector, the researcher found several references that can help this research in the palm oil development and agreement between Indonesia and Malaysia in a different focus.

One of the references that close to the topic area is “*The Co-operative Benefits Malaysia and Indonesia in Palm Oil*” by Mohamed Rizwan Habeeb Rahman in this article talked about how Indonesia and Malaysia ought to cooperate in the palm oil industry instead of keeping the competition of the industry itself by through the Prisoner’s Dilemma Game Theory. Due to the competition of palm oil industry it is can give the significant change for palm oil industry specifically in the depression of palm oil price (Habeeb, 2015).

Indonesia has been a pioneer regarding land capacity rather than Malaysia, and it is known that Malaysia import CPO from Indonesia and it has been an advantage for Malaysia. In 2011, Indonesia decided to restructured the export duty to keep the CPO product in the supply downstream by widening the tax margin and reduced the tax rate in the downstream to the local company also offered a discount in order to reduce losses to the export tax when exporting CPO to the other countries. However, this effect to Malaysia downstream specifically in CPO product due to the lack of refiners that can Malaysia produce. Responding to the disadvantage of Malaysia downstream, the government restructured the tax of palm oil specifically in fatty, olein, etc. However, the competition of Indonesia and Malaysia can affect the CPO price especially for consumer countries especially for China which use Palm Oil as the new source for financing. Moreover, the decline of CPO price that might be affected due to the tax restructured by Indonesia and Malaysia can treat the Palm Oil position as the most needed commodities in the world.

Hence, Mohamad pointed out in his article Indonesia and Malaysia should cooperate in the stability of Palm Oil price and position in the future and also respect the global demand commodities by creating organization like OPEC (Organization on of Petroleum Exporting Countries) in order to manage a better price and also export duties (Axelrod, 1984).

Based on the article above, the researcher thinks that the existing agreement between Indonesia and Malaysia in the palm oil sector can strengthen the relation, especially in palm oil industry cooperation Hence, this article can help the researcher to provide data that the establishment of CPOPC can increase the trade investment in Palm Oil in between Indonesia and Malaysia.

Another reference that related to the topic with the different focus is from Rajah Rasiah and Azmi Shahrin in their paper about *“Development of Palm Oil and Related Products*

in Malaysia and Indonesia” discussed about the success of Indonesia and Malaysia in managing their palm oil activity and turning it into policies that make the trading activity effective and efficient and this will involve the private sector to produce the palm oil. Rajah and Azmi examine the role of policy instrument and how the instrument, institutions they created can affect the company by government strategy to bring the growth and structural change in the Palm Oil sector. They also discuss how high-tech institutions help to stimulate innovation activities in the economy at a national scale.

Indonesia and Malaysia think that even though palm oil prices remained a crisis but both countries are optimistic about developing the palm oil industry and there is a little movement towards mutual gain business arrangements (Rasiah R, Shahrin A, 2004).

The paper refers to the analysis of the policy made by the Indonesian and Malaysian government that sees the business opportunities in the palm oil industry in involving the private sector to observe and then find a strategy to explore the development of palm oil production which also can be as a useful material. This paper helps the researcher to understand the palm oil policy which can affect the private sector and can refer to Indonesia and Malaysia should create an agreement towards Palm Oil industry cooperation.

Another journal that focuses on how each country (Indonesia and Malaysia) developed their palm oil industry before finally agreeing to form an agreement that focuses on the palm oil cooperation. Colin Barlow, Zahari Zen and Ria Gondowarsito wrote paper about *The Indonesian Oil Palm Industry* reviewed the past development and prospects in the 2000s of Indonesian palm oil production and how the growth of private estates and smallholdings, examining the organization, performance as well as the trading activity regarding cost, etc. In this paper, we can see Palm oil production expanded rapidly from the early 1970 and increased the incomes and living standard of all involved by examining the background statistics, the performance of estates, smallholding, and the arrangements.

Several Indonesian estates have operated successfully over the years and benefiting the neighborhood countries such as Malaysia in the trading activities.

This paper argues that Indonesia prospects in palm oil competitiveness in the world market seems excellent, despite the issues faced in economy but this also gives a resolution in the performance and triggers the palm oil businesses to expand and emerge as the leading supplier of palm oil on world markets (Barlow C, Zen Z, Gondowarsito R, 2003).

Other references which related to the topic with the different focus by Rangga Eka Sakti with the title “*Understanding the Shift of Indonesia & Malaysia’s relation in Palm Oil Trade from Competition to Cooperation under CPOPC*” In this thesis he tries to analyze the background of the CPOPC establishment by questioning why these two countries cooperate in terms of Palm Oil development as before they were competing each other as the largest palm oil production countries. He also states that the establishment of this organization is one of the occasions that marked the changes of the palm oil trading system.

By using the rational design theory and transaction cost approach, the theories are used to project the transaction cost of the two countries in the palm oil trade before and after the establishment of this organization (CPOPC) (Sakti, 2017). He argued that the establishment of CPOPC is the rational thing that both countries cooperate. By using the rational design theory, this could help Indonesia and Malaysia in getting over the obstacle in palm oil trade making it more efficient. The establishment of CPOPC can reduce several issues that refer to the rejection of the palm oil sustainability due to the environmental issue and other issues that have been appearing (Sakti, 2017).

The rational design theory used by the thesis above can help the researcher in order to understand that the establishment of CPOPC can be beneficial for Indonesia and Malaysia and also can help both countries to strengthen and improve the economic relations.

Another reference related to the topic with the thesis titled "*The (Re-) Positioning of the Indonesian and Malaysia State in the Sustainable Palm Oil Governance: An Empirical Contribution to the Idea of "The Cunning States"*" by Johanne Dieke in 2015. Johanne Dieke discussed about how Indonesia and Malaysia are the largest palm oil producer in the world and then utilized the example of countries that were against the development of palm oil, and this case involves non-state actors. Comparison of the two countries, such as Indonesia in maintaining the sovereignty to (re) position in the governance of sustainable palm oil. On the other hand, Malaysia is presenting itself as a strong, sovereign state that is not dependent on external actors.

The opposition issued by several countries expected that Indonesia and Malaysia could work together in reforming or establishing one standard that challenges the RSPO. He is focus on How Indonesia and Malaysia can reposition themselves in the sustainability of palm oil either on a national or international level (Deike, 2005). In conclusion, Indonesia and Malaysia technically have positioned themselves differently towards different actors at the national and international level which might vary according to the context.

The theory used in this thesis is challenges sovereignty, the role of the state, the cunning state and discursive and networking strategies. This theory is applying to the governance of palm oil by different state and non-state actors. In this, the theory will be how the sovereignty is not always made by state and also how state and researchers are no longer bound to one region but divided by other actors. Then also the next theory describes how the state continues to play an importance role in making decisions and also a mediator in the international policy arena at the local level.

The paper helps the researcher to understand the state and non-state actors in the development of the palm oil sector which can be one of the references in strengthening the background of the establishment of CPOPC.

1.6 Theoretical Framework

In writing this research, the researcher would like to bring two theories in the purpose of giving sharp analysis on the issue. The researcher would like to use the concept of **Neoliberalism Institutionalism** by seen the indicators of the theories said that each state has their interest and need another state to cooperate. In other words, interdependence is a natural behavior of the country then, the institutions are needed in order to organize the relations to getting absolute gain and also neoliberal institutionalism seeing the existence of CPOPC as an organization should be adapt with the external environment in order to be as an effective organization for Indonesia and Malaysia.

Neo-liberal Institutionalism

In International Relations, the concept of neo-liberalism itself is a development from liberalism theory which sees that each country has their own interests and by cooperating with another country it can maximize their national interest and gain several benefits in the long term. Then it was developed in the Modern liberalism said that the state needs to be active in participating in the economy. Most of the scholar's belief that we're now living in the age of neoliberalism and even during the past few years neo-liberalism has become quite widespread in several political and academic debates (Agil Mammadov & Ziyadhan Hasanov , 2016). During the second world war, the great debate between Realism and Liberalism, make some scholars then gave their argument in responding the world and the world was filled with the anarchic situation where there were only two choices, win or lose. In, those who managed to win on the battlefield would be the regulator for losers, this thought dominated International Relations for two decades.

During 1980, the international institution called as regimes theory where realist believe that the core elements was states, power and interests. Where they believe that states as the central actor which support by the factor of power and interests with an only focus on how states can gain benefit from their power without considering the other factors. Before long, the regime replaced with an institution where interactions among states turn to be broader and accepted as the rules of the games in society. Scholars believe that the term of institutionalism which can bring new ideas from various type of fields can also shape human interactions (North, 1990).

As mentioned above each state have their own interests in developing their countries and cooperation is needed in order to maximize the self-interest itself. Neo-liberal institutionalism is present as a concept to broaden the interactions by various fields assist the self-interest of states in a dilemma. Scholars believe by having self-interest can problematic, and institutions are believing as the mechanism tool and also to address the concern (Stein, 2008). Beside, an the institution can provide solutions to state problem and scholars believe that with the self-interests of state, rendering half of themselves to be free to act in aimed to achieve better results rather than maintain what state have but did not get any results.

Moreover, in providing maximum results through institutions states indirectly using their power in negotiation and through negotiation, arranging plan in building institutions. In Stein explanation of how the point of neoliberal institutionalism itself is how the way of negotiating and good structure of coordination it can be able to conclude what the role of international institution themselves will be and how (Stein A. , 1982)

In 1970 then, Robert Keohane and Joseph Nye adapted functionalism thinking and applied to the operations of International regimes and International organizations. (Powell, Anarchy in International Relations Theory: The Neorealists - Neoliberal Debate, 1994) Some scholars argue that the state must consider themselves as an

independent actor in order to create an integrated community to encourage economic growth and also be able to respond to the regional problem that arises. Support for the establishment of an integrated community is something inspired by the failures and experiences of World War I & II which are the antithesis of the realist ideas and thoughts (Stein, 2008).

1.6.1.1 Types of Institutions

Neoliberal Institutionalism observes the world political-economic system and believes that institutions can help the state from the dilemma. This theory believes that with the establishment of an institution, the state can easily reduce problems and gain benefits from other countries. Cooperation is needed when there are self-interests by state. Otherwise, it cannot be said as cooperation that can produce mutual benefits. In Keohane book said that Neoliberal institutionalism presents the significance of International Institutions in the relationship between countries. In collaboration with a neoliberal international organization, the institution made as an independent variable that determines the extent to which relative benefits become an important consideration. This opinion shows the importance of institutions in neoliberal cooperation.

The institution divided into two types, *Formal Institution*, and *Informal Institution*: *Formal Institution* is an organization that is formed by states that have specific objectives which make them monitoring the activities as well as response to the activity that they create. They have a bureaucratic organization which clear rules and the tasks are specific to individuals and groups that are incorporated inside it. The examples for formal institutions is like ASEAN, EU, WTO, etc.

Informal Institution is an organization which has implicit rules and understanding that form expectations of the actors involved. The convention allows these actors to understand other actors without explicit rules to coordinate their actions. For example, the principle of (immunity) traditional diplomacy is a convention before it is codified in two international agreements in the 1960s.

The explanation above then becomes one of the rationales observed by the researcher on the case between Indonesia and Malaysia in establishing cooperative relations, especially in the palm oil industry through the establishment of CPOPC organizations. Both Indonesia and Malaysia have their self-interests in the palm oil industry which can make them lead the Global Crude Palm Oil, however, regardless from the common goals, each state wants to reduce cost in the trade especially for Palm Oil and help the countries in producing the good qualities of Palm Oil. Basically, what is needed by both countries is *absolute gain*, where the benefits can be obtained by both Indonesia and Malaysia when doing cooperation by measuring the benefits for states. Then in this neoliberal institutionalism, the researcher tries to sum up the theory and relate it to the case by shaping a schema.

Finally, the problems that the state has in uncertainty lead to the formation of institutions that can provide good coordination and how the role of these institutions can provide solutions and reduce the anarchy system and the state becomes more open, and there is interaction in it. Thus, neo-liberal institutionalism led Indonesia and Malaysia to form the organization of oil palm as a form of both interests due to the benefits of oil palm in growing their national economic development. With the formation of CPOPC, it was able to harmonize the opinion on how to maintain the sustainability of oil palm as the most needed commodity today in agriculture by engaging with producing countries.

1.6.2 Complex Interdependence

According to Keohane and Nye that Interactions which happened by states create an interdependent environment which called as *complex interdependence*. The neoliberals see the existence of institutions intended as a mediator or intermediary to achieve cooperation between actors in the international system.

The definition of complex interdependence itself defined as a situation where in today's world politics, countries that also include non-state actors are interdependent, and this is influenced by the outside environment for cooperation and competition. A country's policy will influence the actor's actions themselves and will have an impact on the process (Rana, 2015). Also, the definition in complex interdependence emphasized by scholars:

“An economic transnationalist concept that assumes that states are not the only important actors, social welfare issues share center stage with security issues on the global agenda, and cooperation is as dominant a characteristic of international politics as conflict” (Genest, 1996)

The environment of interdependent make the world increasingly becomes pluralistic because this interaction involves many actors not merely countries but between state and non-state actor that participate in the development of the country by share the systematic-level power and influence the other country in order to define when to or when to not do the cooperation (Daddow, 2013). In Complex interdependence welfare and trade policy will matter in doing cooperation instead of status and security issues.

Pointing, Robert Keohane and Joseph Nye explained interdependence characters: (Isiksal, 2004)

1. The actors are countries and non-states that have various communication channels: inter-state, inter-governmental and transnational.
2. The agenda of inter-state relations includes some issues that are not arranged in a clear hierarchy. In other words, there are various issues with no hierarchy; military security aspects do not consistently dominate the current agenda.
3. Military power plays a relatively weak role in international relations because "this issue not used by one country to another when drafting interdependence.

It can be concluded that the current state of interdependence in the modern world has ruled out the role of the state as the center that driven all the state systems but also the role of non-stat actors can contribute to the state interests, especially in the economic field. Because in neo-liberalists say that military power is not a tool that can provide results that are specific to the state-interests.

Interdependence supports the case of Indonesia and Malaysia regarding the development of the palm oil industry. In this case, Indonesia is the country with the most significant land capacity at present and Malaysia itself is a fairly advanced country compared to Indonesia in the processing process. Thus, this interdependence has an effect on the policies of both countries by involving oil palm stakeholders such as oil palm companies, national oil palm organizations, small farmers and governments and also oil palm producing countries in the world to contribute to the formation of palm oil organizations namely.

1.6.3 Absolute Gain

The Absolute gain is the advantage that can be obtained by each country in interaction with other countries in the form of cooperation. Only with cooperation country/state can achieve absolute results. Liberal thought considers the benefits of such cooperation to be absolutely obtained by every country even though it is impossible for the two countries to get the same benefits, but liberals ensure that at least profits will achieved for countries that can cooperate. (Powell, Absolute and Relative Gains in International Relations Theory.1991)

In cooperation, getting profit is one of the main goals of each country. This has also been a debate between realists and liberalists about how the state should benefit. Where the liberalist in saying that the state has an individualistic attitude when reaching desires or also referred to as "rational selfishness." Absolute Gain benefits by measuring the effects that can be obtained in the fields of economy, security, power and culture from

an action taken (Grieco, J, Powell, R & Snidal, D., 1988). Meanwhile, the relative gain itself is more than official power. Besides, getting absolute benefits is also determined by the minimum potential for conflict, the finishing cooperation can creating costs that are quite high.

Indonesia and Malaysia themselves form CPOPC which aims to promote oil palm in the eyes of the world so that the interdependence factor also points to the acquisition of profits in which Indonesia will benefit together with Malaysia. However, to calculate the profit itself is seen from how both can coordinate well in the internal party and maximize the planned project.

1.8 Conceptual Framework

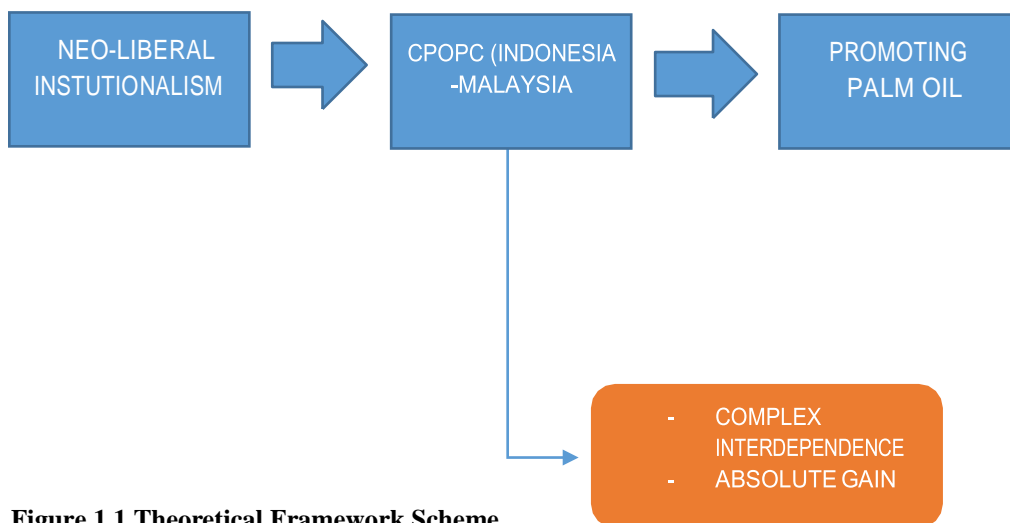


Figure 1.1 Theoretical Framework Scheme

1.9 Scope and Limitation of Study

The scope of this thesis is going to focus on how Indonesia and Malaysia are cooperating through establishing the Council of Palm Oil Producing Countries in order to promote the palm oil. The timeline of the thesis focus will be on 2015-2018

1.10 Research Methodology

This research will use the qualitative method by collecting data with the study literature, focusing on reviewing books, journals and articles that included the necessary data and information regarding the behavior of Indonesia and Malaysia as the key players in the global palm oil industry (upstream and downstream) and draw conclusions out of them and also in taking various actions in promoting palm oil through established CPOPC. The data will be acquired from articles, policy reviews, journals and books that include the necessary information regarding the policies and actions from Indonesia and Malaysia.

1.11 Outline of Chapter

Chapter 1: Introduction This chapter introduces the issue of Palm Oil and the shift of Indonesia & Malaysia's relation on palm oil trade from competition to cooperation under CPOPC. The main purpose of this chapter is to deliver the importance of the research, the research question itself, the theoretical framework, the main argument, research method, and research outline.

Chapter 2: On the second chapter researcher would like to give deep explanation on the history of Palm Oil, explaining the Palm Oil in International scope ex trade and the International standard for palm oil

Chapter 3: On the Third Chapter researcher will concentrate on Palm Oil performance to Indonesia and Malaysia and in established CPOPC, CPOPC as an organization, CPOPC goals and the importance of palm oil for Indonesia and Malaysia that can boost the national economic development

Chapter 4: In Chapter 4, researcher would like to answer the research question, how

Indonesia and Malaysia cooperate in promoting the palm oil through the Council of Palm Oil Producing Countries, what action has been taken and what is the significance result for Indonesia and Malaysia

.

Chapter 5: will be the last chapter which contains conclusion and recommendation of the research.

CHAPTER 2

THE PALM OIL INDUSTRY

2.1 Palm Oil Development

2.1.1 Palm Oil History

Palm Oil itself has existed for 5,000 years ago where historically oil palm was first discovered in the West African region and became one of the first commodities traded and after the British revolution palm oil was needed as food to non-food ingredients such as chocolate, soap and fuel. Palm oil itself grows in the African region so it is considered an indigenous plant was originating from Africa since then oil palm played an important role for the village economy of the West African region for many years (Corley, R.H.V., Hardon, J.J. & Wood, B.J., 1976).

Very strong reasons support Africa as the history of the origin of Palm Oil. According to the results of Zevan's investigation, there are fossils of pollen (pollen) found in the archeological layers of the Miocene era, indicating that oil palm has long been grown in the African region. European Don Mosto in his exploration of the African continent around 1435 and 1460 found a large number of black trees which had fruit and oil in the West African region (World Rainforest Movement, 2010).

While the Broecke trip towards the end of the 16th century, among others, revealed the existence of materials which are thought to originate from oil palm trees. Linguistic studies also support the view that oil palm originates from Africa. In Suriname for example, the names used for oil palm are modified words from 'Africa' in Yoruba, Fanti-Twi and Kikongo. Like 'dede' used in Brazil is thought to originate from the word 'ndende' which indicates that oil palm was brought to the Americas in the 16th century together with slaves, who then grew well in Brazil.

Palm Oil in Africa was initially been plant that was a local component and was set aside by small farmers. However, the beginning of the 20th century after the cold war and the trade system began to be introduced by European countries by providing new insight of Palm Oil in the form of processing techniques and machines that could help the production of Palm Oil itself (Rival A and Levang P, 2010). As a result, Palm Oil began to develop around the world and become more famous by the time goes and influenced to the new resources for food and non-food.

In the 1960s Africa still contributed to the total international palm oil as much as 43% of the results worldwide. Ghana is one of the countries in Africa that has good soil structure and weather in oil palm planting (Carrere, 2013). Thus, oil palm plantations and mills located in the region. However, after the European trade system began the expansion of large-scale Palm Oil by bringing palm oil seeds to several regions (Greenpeace, 2010).

Moreover, the long journey of oil palm has brought European countries to expand the palm oil industry and also started investing in coconut oil production. Over time, the expansion of oil palm was carried out by African countries and was introduced throughout the Sub-Saharan Africa and Southeast Asia. Malaysia is the first commercial scale country established in 1917 at Tennamaran Estate in Selangor (World Rainforest Movement, 2010).

The role of European countries in introducing new planting mechanisms provides a reference to America and Africa. However, when palm oil was first introduced in Indonesia and Malaysia has brought about a fairly rapid increase it is also supported by comparative advantages of low production costs and high productivity brings benefits to producing countries. Surprisingly, Palm Oil provides economic benefits for the countries planted. As the countries that are the largest palm oil producers in the world such as Indonesia, Malaysia, Thailand, participants, Nigeria, Papua New Guinea, Ecuador, Honduras, Cote Divore, Brazil, Cambodia, Philippines, Vietnam. Palm Oil Producing Countries are a measure of the natural resources produced by a country.

2.2 Palm Oil in International Stage

2.2.1 Leading the Agricultural Sector

The economy in this world has several important sectors, especially countries that have income from the utilization of existing natural resource potential. Therefore, we also need to know that the ecology of the earth and the geographical location of each country is very influential on the economic progress of the country itself. Although all of that also depends on the potential of human resources owned by each country. It is undeniable that between the potential of natural resources, the potential of human resources and geography is very influential on the economy in the world.

Palm Oil itself has become one of the most abundant vegetable oils in the world, after seeing the development and history of palm oil in several producing countries brought it to a broader development in the industrial world, this is proven how oil palm has helped the country in its economic development. Used as a cosmetic ingredient, and it is known that Southeast Asia countries are leading the palm oil production with 89% of the total world production, followed by Latin America 6% and Africa 5% (Pablo Pacheco et al, 2015).

Has been use for various ingredient that has many benefits for food or non-food which currently even replace sunflower seeds and nuts. Oil palm grows only in some tropical countries, it takes about 1 year or more to produce mature oil palm and is ready for processing. Producing Countries then utilize the use of palm oil into various products and develop it as a business which are then exported to the consumer countries as known China, India, Pakistan and Europe that contribute 60% to the total export of Palm Oil where export activities began in the late 20th century when Malaysia expanded the Palm Oil industry by private company (Sime Darby) and followed by Indonesia (Sinar Mas) as the biggest and first palm oil company that has other based in Singapore where all controlled by Chinese and International traders (Michels, 2015).Palm oil as the most needed commodity is then described in the figure below, how the production and demand for oil palm has continued to increase for 10 years.

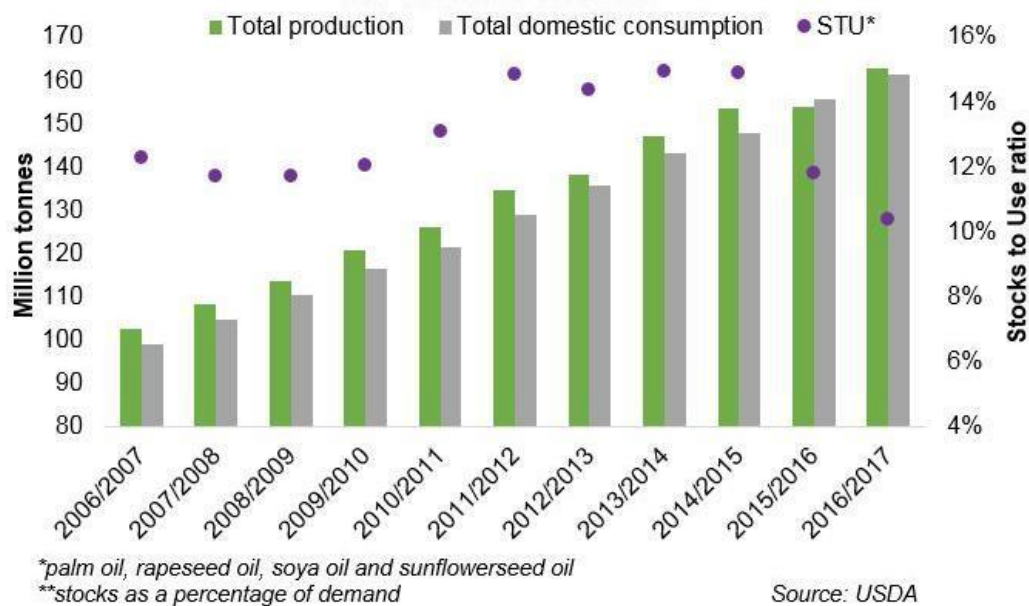


Figure 2.1 Palm Oil World Production and Consumption

Source: (United States Department of Agriculture, 2017)

From the figure above, it can be explained that palm oil production in the past 10 years has been increasing every year since 2006, an increase in world consumption is also one of the factors increasing production. But the high demand will affect the palm oil stock itself, as in 2016 when production declined while demand and also palm oil consumption increased this affected the sale of oil palm. The El Nino effect cause to the decreasing of production. The performance of palm oil then rose again in 2017 with the level of production rising and total consumption also increasing but not too influencing the reduction in stock (Robinson, 2017).

The high demand and production increased brought Palm Oil to the stage of International trade where has been mentioned above how consumer countries are affecting the Palm Oil value of producer countries and also trade activity in the world.

The Performance of Palm Oil export has increased for 10 years by picking the representative countries in each continent that dominating palm oil production. The increase in the export value of these countries influenced by Palm Oil by the number of production and also demand from consumer countries as described in Figure 2.1. The import performance of Palm Oil produced by consumer countries on several continents, which will be described below.

Countries	Export Value (Million USD) 2004	Export Value (Million USD) 2014	Change (%annual)
Indonesia	3,441.8	17,464.9	16.2%
Malaysia	4,760.0	11,994.8	9.2%
Netherland	380.6	1,300.0	12.3%
Colombia	98.6	232.5	8.6%
Brazil	6.8	86.6	25.5%

Countries	Import Value (Million \$)2004	Import Value (Million \$) 2014	Change (Annual %)
Africa	888.5	4,326.4	15.8%

America	475.2	2,463.6	16.5%
Asia	6,030.1	17,247.1	10.5%
Europe	2,937.1	9,630.8	11.9%
Middle East	512.6	1,562.0	11.1%
Ocenia	72.4	146.3	7.0%

Table 2.1 Palm Oil Export & Import Value by Producer and Consume Countries (2004 & 2014)

Source: International Trade Centre (2016) (Pablo Pacheco, et al, 2015)

2.2.2 International Standard for Palm Oil Sustainability

As one of the superior commodities of vegetable oil, Palm Oil is used by several companies as basic ingredients of chocolate ice cream, soap, cosmetics and other non-food ingredients. Estimates of palm oil consumption per person in several countries in particular can reach 2kg per year (Thomas, 2012). In addition, in terms of the quality and benefits of Palm Oil, including versatile commodities with relatively low prices, which are supported by an abundant production rate with 4-10 tons of production per hectare, create it as the commodity most needed today. In addition, other benefits for oil palm itself are processed when becoming seeds that are ready to use with the advantage of being smooth and odorless and also having the effect of natural preservatives that can extend food products (Imoisi, OB, Ilori, GE, Agho, I, Ekhaton, JO, 2015).

In some regions, oil palm has caused pros and cons in its sustainability which has caused environmental damage and disturbed other species habitats. This arises because there is no coordination between the land owners and the community also the local government for oil palm cultivation which creates irresponsible behavior towards the surrounding environment. Moreover, Palm Oil is one of the most environmentally damaging plants with around 300 fields destroyed every hour (UNEP, 2007).

In this regard, standard are needed when it comes to the sustainability and also the existence of standard can reduce the negative impacts that can be caused by irresponsible actors of oil palm. This standard will be a criteria for each company, government, or smallholder who will planting the palm oil. The first Palm Oil standard that was formed is RSPO (Roundtable on Sustainable Palm Oil) The RSPO to be known as a non-profit that collaborates with several oil palm industry stakeholders such as producers, trader, NGOs (Social and Environmental), and consumer good manufactures, Bank Investors and Retailers who will later provide input on each other on the development of globally certified oil palm and in November 2005 RSPO were applied (RSPO, 2007).

The objective of RSPO itself is “to promote the growth and use of sustainable palm oil through cooperation within the supply chain and open dialogue between its stakeholders.” This objective will lead to the detailed requirement to ensure that the RSPO standard has consistency and also assess the credibility of the oil palm stakeholders to support its sustainability. From the principles and criteria of the generals, the principles and criteria for national interpretation compiled for large companies, oil palm farmers and self-help by adjusting to the laws, regulations, and conditions of the country where the plantation located and the characteristics of the business (RSPO, 2007).

The palm oil certification system will also be reviewed by the RPSO after 2 years where since the approach start and the executive board will review and also certify by hold an annual meeting to preview best practice and provide feedback to RSPO. The certifications also will be devided into 3 steps before it is approved to meet the criteria of International standard palm oil.

A. Certification Standard

Standard certification intended for the sustainability of oil palm itself will follow the international standards of the RSPO which consists of legal, economically viable, management and environmental operations that will support without environmental damage. One thing that needs to be done by each producer country is the national interpretation of the indicators and guidelines that will be developed and this will require support or recognition by the RSPO. This will be followed by the following steps:

- **Participation:** RSPO will be approved Where the country or company that wants to register through discussions with national multi-stakeholders
- **Process:** preparation of national interpretations with stakeholders, testing the field and also national public consultations.
- **Endorsement:** The concept of national interpretation will be proposed by the RSPO and will go through the process of endorsement and also formal support (RSPO, 2007).

Apart from the ratification of the verification of national oil palm conditions, the RSPO also concern on the criteria for trade mechanism and supply chain. All mechanisms for traceability of palm oil will be approve by RSPO if fully segregated, Mass Balance and Book and Claim.

B. Accreditation Requirements

Certification will be undertaken by body that conforms the the accreditation requirements individual will not going to be recognize. (RSPO, 2007). RSPO will approve accreditation in accordance with the accreditation of ISO / IEC Guide 65: 1996 which will operate product certification systems, environmental management systems and with a set of specific RSPO certification process requirements. The accreditation body itself is such as the International Accreditation Forum (IAF), Multilateral Recognition Arrangement (MLA) or the International Social and Environmental Accreditation and Labeling Alliance (ISEAL) (RSPO, 2007)

Then the RSPO will coordinate with the accreditation body to provide feedback related to their competencies or processes or the results of an assessment or implementation of accreditation, the assessment of the RSPO accreditation institution will be conducted annually. Accreditation bodies can develop specific accreditation for RSPO certification at certain times only and certification bodies must show the RSPO by submitting annual reports that their accreditation system covers all the requirements specified. (RSPO, 2007)

C. Certification Process Requirements

The requirements for the certification process will also be explained in several fields to determine the feasibility of palm oil processing, starting from the competency assessment of the managing team, then the assessment process, gathering evidence from stakeholders during the certification assessment process, availability of public documentation including the results of certification. The overall results will also be approved by RSPO. Competency assessment from the managing team

Lead auditors must have, as a minimum,

- a minimum of post high school (post secondary school) training in either agriculture, environmental science or social sciences;
- at least five years professional experience in an area of work relevant to the audit (e.g., palm oil management; agriculture, ecology; social science);

- training in the practical application of the RSPO Criteria, and RSPO Certification Systems;
- successful completion of an ISO 9000/19011 lead auditor course;
- a supervised period of training in practical auditing against the RSPO Criteria or similar sustainability standards, with a minimum of 15 days audit experience in at last 3 audits at different organizations.

The unit of certification shall be the mill and its supply base:

- The unit of certification must include both directly managed land (or estates) and associated smallholders and outgrowers, where estates have been legally established with proportions of lands allocated to each.
- All the FFB from the directly managed lands (or estates) shall be produced to certifiable standards. The mill will develop and implement a plan to ensure that 100% of associated smallholders and outgrowers are of certifiable standard within 3 years.

Procedures for certification assessment must include gathering evidence from all relevant stakeholders, including statutory bodies, indigenous peoples, local communities, workers' organizations, smallholders local and national NGOs designed to ensure that all relevant issues concerning compliance with the RSPO. In addition to the requirements of ISO Guide 65 or ISO Guide 66, the certification body must make the following documents publicly available upon request, and on their website:

- Where a certificate of conformance has been issued, a summary report following a standard format (**see Annex 4**) outlining the results of the certification assessment, including a summary of findings, any identified non-compliances, and issues raised by stakeholder consultation. The summary report must be prepared by the certification body, and should exclude any information that is commercially confidential, or where disclosure of information would result in negative environmental or social outcomes. The report will be made available on the RSPO website in appropriate languages and will be made available within two months of the certificate issue.

- Procedures for complaints and grievances, including resolution mechanisms.
- The register of certified organizations, which must include details of the scope of each certificate, i.e. which sites, tonnages and/or processes are approved.

The RSPO aims to give attention to oil palm farmers who have provided an important role in poverty alleviation, the spread of development, and the source of foreign exchange. Therefore, the RSPO can support farmers' preparation activities so that they can be certified so that farmers can use the palm oil market as widely as possible as large companies that are RSPO certified.

CHAPTER 3

THE ESTABLISHMENT OF COUNCIL OF PALM OIL PRODUCING COUNTRIES & THE IMPORTANCE OF PALM OIL FOR INDONESIA AND MALAYSIA

In this chapter, a researcher would like to focus on how Palm Oil has been contributing to the Indonesia and Malaysia economic development which finally cooperate in establishing CPOPC since both are countries who is dominate 85% of the world total. Also explaining about Indonesia and Malaysia ratifying CPOPC and how the meeting between these two countries are conducting and what is CPOPC stand for.

3.1 The Importance of Palm Oil to Indonesia Economic Development

3.1.2 Industrial Development of Palm Oil in Indonesia

Since 1950, Palm Oil has been a benefit natural resources over the decades, which pioneer by Malaysia as the first largest Palm Oil producing countries and this does not preclude Indonesia in developing their capability in Palm Oil industry which supported by the fertile soil and continuously becomes the world largest that produce the Crude Palm Oil in 2006. The Palm Oil planted areas are separated in several provinces in Indonesia includes North Sumatera, Riau, South Sumatera. According to data from Indonesia's Statistic Agency (BPS) the total area of palm oil plantations in Indonesia is currently around 11.9 million hectares which increase each year due to the land expansion either by the private sector nor government. The Palm Oil area is expected to increase to 13 million by the year 2020. (Investment, N.D)

Regarding the production, Indonesia dominate the percentage of Palm Oil production in the world which in fact, in 2016 Indonesian known to produce 36,000,000 tons of Crude Palm Oil from 58,8000,00 from the total of Palm Oil production in the world

which followed by Malaysia in the second rank. The Palm Oil plantation is own by Big State owne Plantations (6.63%), Big Private Plantation (52.88%), Smallholders Farmers (40.49%). Realizing the development of Palm Oil sector which increases every year bring Indonesia in gaining a lot of benefits especially to the National Economic Development, in line with the government's ambition to extract more revenue from Indonesia's natural resources. (Ditjenbun Pertanian, 2017)

The Palm Oil industry has become a means of achieving livelihoods and economic development for a large number of poor people in Indonesia and helping Indonesia in showing their excellence in the plantation sector and Indonesia's efforts in promoting Palm Oil in the world. Indonesia then creating an association in developing the Palm Oil industry which can help them in increasing the Palm Oil research knowledge regarding production, export- import for the sustainability that later can be as reliable natural resources and help the state revenues (GAPKI , 2017).

The associations known such as, Directorate General of Estate Crops, Indonesia Oil Palm Research Institute (IOPRI) was created in aimed to maintain and to develop the quality of Palm Oil in Indonesia and formulating the policy from a government that can organize the Palm Oil use. Then, Gabungan Pengusaha Kelapa Sawit Indonesia (GAPKI) and Asosiasi Minyak Makan Indonesia (AIMMI), those are the Indonesia Palm Oil Association to set the strategy as well controlling the Palm Oil development (Gary D. Paoli, et all 2011). There are several points that will explain the Palm Oil Industry Role to Indonesia Economic Development

3.1.3 Support Indonesia Foreign Exchange by Export Performance

In recent year, Indonesia has experienced economic fluctuations the economics journey has brought Indonesia government setting strategies to avoid the decreasing of economic presentation. This strategy referred to looking at the industries which have a strong and significant impact toward the trading activities (export and import) because what Indonesia trying is to help the economic development by increase the foreign exchange (GAPKI , 2017).

Indonesia's trade balance in 2017 recorded a surplus of USD11.84 billion. Based on data from the Central Statistics Agency (BPS), the same as in 2016, the largest foreign exchange contributor still came from exports of palm oil and its derivative products.

"Palm oil is a strength for the country because it functions as food and energy. Besides, palm oil economically contributes greatly to the country's foreign exchange and provides a livelihood for the community, "

said Jusuf Kalla (JK), Vice President of the Republic of Indonesia, in the opening of the Indonesian Palm Oil Conference and 2016 Price Outlook (IPOC) in Nusa Dua (GAPKI, 2018).

In terms of foreign exchange income, said Joko, palm oil as the largest non-oil foreign exchange earner was around US \$ 21 billion in 2014 or 13.4 percent of the total export value. Meanwhile, Luhut Panjaitan, Coordinating Minister for Political Law and Security of the Republic of Indonesia, emphasized that the palm oil industry has become a strategic industry with a large contribution to the country's income and employment. Therefore, Luhut emphasized that the palm oil industry must be protected from negative campaigns related to environmental and health issues (GAPKI, 2018).

3.1.3 Palm Oil Contribute to the Indonesia GDP

In 2008, Indonesia was considered as a middle-low income country with an estimated figure \$510.77 in the last decade followed by the population in Indonesia in the annual growth rate of 0.57 % to more than 271 million by 2030. However, the progress of the GDP figures is supported by the industrial sector and services, which are then dominated by the plantation industry that contributes over 48% in total economic activities, especially palm oil contributes more than 10% of GDP (Nations, 2010).

Since 1960 - 1970 Palm Oil has contributed reached 50% from the plantation sector. However, in 1990 until 2014 Palm Oil contribution in the national GDP slightly decrease due to the lack of production with an estimate number 24,8% until 14,3%. In 2009 Indonesia government which coordinate by Ministerial Agricultural in an effort in increasing the Palm Oil production which also cooperates with the private sector of Palm Oil. Subsequently, Palm Oil production reached 19,3million ton with estimated of CPO local price Rp.7 million/ton with the value of Rp.135,3 trillion. Thereby, the role of palm oil production on Agricultural GDP, non-oil GDP, and total GDP is 15.8%, 2.6% and 2.4% respectively (BPS Indonesia, 2010).

The Ministry of Agriculture revealed that palm oil still contributes the most to the national Gross Domestic Product (GDP) from the plantation sector. From various commodities that Indonesia has, palm oil has become major consume nationally or internationally and even reached Rp.260 trillion. No doubt, palm oil as a commodity in supporting the industry which also affected to the Indonesia industry performance (KOMPAS.COM, 2018). According to The Director-General of Plantations at the Ministry of Agriculture said, in 2016 the plantation sector contributed to the national GDP about

Rp. 429 trillion, bigger than the oil and gas sector (oil and gas) which value was only Rp. 365 trillion. (Kompas.com, 2018)

3.1.4 Palm Oil Contribution to the Local Economies and Small Holders

With more than half of Indonesia's population living in rural areas and more than 20 percent including living with the poor condition, Palm Oil provides a means of alleviation incomparable poverty. Restrictions forest conversion for agriculture or Palm Oil closing opportunities for improving living standards and economic benefits that are quite prospective for rural residents, immersing them to the standard lower life.

As known above, Palm Oil is not merely owned by large companies but also owned by the community in rural areas. The Palm Oil industry has become one of the sources of income for economic development for most people in Indonesia. 6,6 million tons of palm oil is produced by smallholders who own more than 41% of the total palm oil plantation in Indonesia. This Palm Oil plantation is able to reduce poverty, especially in rural areas. Besides, it can also encourage economic equality in the region because it becomes a livelihood for 4.5 million families of employees and Palm Oil farmers in Sumatera, Kalimantan, and Sulawesi and supported by 14% of GDP. (Ansori, 2014) Aside to encourage economic equality in the rural areas, Palm Oil is able to help Indonesia in reducing poverty. Every 1 % of the CPO production increase, it can reduce poverty by 0,7 % (GAPKI, 2018).

The increasing of CPO production by improving the productivity and expansion of plantations cause a greater percentage of poverty. In other words, Palm Oil plantation favor the poor. Therefore, local government in Indonesia are wise to facilitate the development of CPO to help in reducing poverty in their region. The expansion of Palm Oil plantation in Indonesia especially smallholder's plantations increased from 1.36 million in 2000 to 4.4 million in 2016. Overall the total workforce was absorbed on smallholder Palm Oil plantation from 2.7 million to 7.8 million labor. Over 1.2 million

laborers worked in Indonesia Palm Oil production and processing in the early 2000s. (WorldGrowth, 2011)

3.1.5 The Export Performance of Indonesian Palm Oil

As the largest Palm Oil producer in the world, Indonesia is also the largest exporter in the world in terms of volume and quantity which also followed by Malaysia, Thailand, Colombia, and Nigeria. Indonesia can be the largest CPO exporting because there are at least derivative producers of CPO that can be processed domestically in Indonesia. Indonesia's CPO export development continue to increase. United Nation Comtrade notes that Indonesia's raw Palm Oil exports only reached 1,849,142 tons in 2001 or an average of 11.94% year. Recently, the main export destination countries of Indonesia CPO are India, China, Pakistan, and Netherlands where currently the country is the largest CPO consumer in the world (UN Comtrade, 2016).

The value of Indonesia CPO exports in 2004 was known increased with 1.06 billion USD or same as 1.74% from Indonesia's total exports and continued to increase in 2012 with 8.42 billion USD or same as 4.43% of the total Indonesia exports. The value of Indonesia's CPO exports to other countries in 2004 was known to be 385 million USD or same as 0.53% of the total Indonesian product exports. This data also came from the UN Comtrade. (Prasetyo, 2018) The increase in commodity exports is inseparable from the higher level of productivity. As Palm Oil expert explained that the increase of the Palm Oil production could be caused by several factors such as the availability of land, low production costs, the promising domestic and International markets and also government policy in encouraging the development of the Palm Oil industry.

Due to the increasing demand and production for Palm Oil from countries that Indonesia exports, India recorded a significant increase in demand both in volume and percentage. Throughout 2017 India increase the demand for Palm Oil to 7.63 million tons, up to 1.8 million tons and it was up 32% compared to 2016. Exports to African countries also recorded a 50% increase with 2016 of 1.52 million tons than in 2017 with 2.29 million tons. The increasing continued to be followed by China by 16% with a total of 3.72 million tons with the previous figure in 2016 which was 3.23 million tons. In European countries, it rose to 15% to 5.03 million tons in 2017 from the previous year with 4.37 million tons, in the United States to rise 9% with 2017 figures of 1.18 million tons by 2016 1, 08 million tons. Bangladesh with 36% in 2017 with 1.26 million tons from the figure of 922.85 thousand tons in 2016. Then in the Middle East countries rose 7% with the number of 1.98 million tons in 2016 increased to 2.12 million tons in 2017. (

By seeing the Export Performance and effect to the palm oil market in played an important role in the palm oil industry. In 2007, Indonesia Palm Oil export had increased in 23.6 times and it was happened in 1980. With the average number of 28% and the quantity for the value known reached 27%. The countries major palm oil exporter known as Asia reached 72.81%, Europe reached 18.61% and Africa in reached 7.17% (UNITEDNATIONS, 2009).

Started from 2008 until 2014, the palm oil net export was experienced an increasing number although not in a large number, it affected the average rate from 13,8% to 21,1%. (Association, 2017). The export of palm oil is an important component that benefits Indonesia by seeing that net oil exports can create a surplus in Indonesia non- oil gas trade and it can see on table 3.1 below

	2008	2009	2010	2011	2012	2013	2014
Production (million tons)	19.2	19.4	21.8	23.5	26.5	30.0	31.5
Export (million tons)	15.1	17.1	17.1	17.6	18.2	22.4	21.7
Export (in USD billion)	15.6	10.0	16.4	20.2	21.6	20.6	21.1
Plantation size (In million ha)	n.a	n.a	n.a	n.a	9.6	10.5	10.7

Table 3.1 Indonesia Palm Oil Export Performance (2008-2014)

Source: Indonesia Palm Oil Producer Association (GAPKI) & Indonesia Ministry of Agriculture
(IndonesiaInvestment,2015)

The table above shows data on the increase in Indonesian palm oil exports from 2008 to 2014, from the level of production which increases each year affecting the amount of exports to consumption countries such as India, China and Pakistan and also assessed based on export values in dollars. The increase in production was triggered by government support in domestic and foreign demand for palm oil due to a population explosion (GAPKI , 2017).

Thus, oil palm as Indonesia's main commodity makes it the key in the industry and also the country's economy because the oil palm industry is able to improve export performance in international market

3.2 The Importance of Palm Oil to Malaysia Economic Development

3.2.1 Industrial Development of Palm Oil in Malaysia

Historically, Malaysia Palm Oil industry began on 1800-1916, this called as the experimental phase where the Palm Oil expert bayed the Palm Oil seeds by Hallet's oil palm development that located in Sumatera and planted in the Malaysia peninsula as the first cultivation was on Rantau Panjang Estate. Henri Fauconnier which coming from French, he has established the first palm oil plantation at Tennamaram Estate. Afterward, the expansion phase began on 1917-1960 where Malaysia government support the development of Palm Oil that which seeks to reduce dependence on rubber commodities that have absorbed the use of the environment compared to the benefits obtained. Thereby, Malaysia government started the Palm Oil industry by established Federal Land Development (FELDA). FELDA has pioneered the development of Palm Oil industry in extended the upstream operations off-share (Hai, 2002).

Since the early 70s the Malaysian Government increasing industrialization by refining of crude palm oil by expand the domestic refining and fractionation facilities and also developed palm oil through an oleo chemical industry because of the large supply of palm oil and palm kernel which later led the country to the oleo chemical sector in the world today, this also supported by the establishment of 3 plantation companies namely Guthrie, Golden Hope and Sime Darby. (Unknown, Malaysia expands palm oil production, 2007) In terms of Industry, Malaysia is very competitive they will make sure the availability of Palm Oil. The production of Palm Oil concern on the

sustainability, green, low carbon footprint, continued improvement in line with global expectations which supported by the extensive and intensive Research and Development and the Planted area for Palm Oil in Malaysia within 5 years known increase in every year, In 2012 the planted area reach 4.21 Million Ha, and getting increase in 2015 that reach until 4.79 Million Ha. (Norzaida, 2017)

Currently, Malaysia has been the biggest producers of Palm Oil and dominating Palm Oil production with a scale of 39% and 44% of world exports. This makes Malaysia playing a role in the growth of needs for oils and fats and as the second largest oil palm producer in the world after Indonesia, Malaysia has been the main producer and exporters of Palm Oil since 1960 and continued to strengthen the palm oil industry due to the surpassed by Indonesia that expand the land for Palm Oil plantation. It is known that the benefits of palm oil itself for Malaysia can be useful as an excellent natural resource for people to consume, especially the benefits of oil palm for this country can be obtained from the fruit and seeds (MPOC, 2015).

The rapid expansion of Palm Oil industry is also supported by the Malaysian government which recognizes the potential as a complementary crop for rubber and its government policy in taxation and incentives introduced to encourage the export of processed palm oil production. Various organizations were formed either from non-governmental organization nor organization that officially formed by the government in order to develop the Palm Oil industry to produce good quality and can increase partnership to the exporter countries. MPOC or known as Malaysian Palm Oil Council is one of the official organizations were created by the government to develop a comprehensive strategy to position Malaysia as International leader of oils & fats (WWF Malaysia, 2002).

The Palm Oil is known as the fourth-largest contributor to the Malaysia Gross National Income (GNI) which reach in a number 8% and this is the sum of Palm Oil, Palm Kernel and other Palm Oil products. Therefore, Palm Oil is known as the nation's most valuable agricultural crop with annual exports of Palm Oil and Palm-based products valued at \$27 billion in 2011 which up from 2010 with \$21 billion (34.5% increase) (MPOC, 2015)

Due to this Palm Oil benefit, Malaysia government together with the industry leaders has taken steps to ensure that Palm Oil can continue greatly that can boost Malaysia's economic development by adopting good agricultural practices. Malaysia setting the goal of expanding the land for the Palm Oil sustainability. Accordingly, what are the benefits that make this country (Malaysia) maintain and develop the Palm Oil industry both domestically and internationally?

3.2.2 Malaysia Palm Oil to Economic National Development

Since 2015, the Malaysian economy has experienced economic growth of 5.6% due to the private sector engaged in agriculture and also the stability of market prices in several commodities (Bnm.gov, 2015). Supported by the government in its diversification strategy which also included ideas in developing manufacturing in expanding exports of palm oil brought Malaysia into profit. The Palm Oil industry is the fourth largest contributor to Malaysia's National Economic Development which known reaching until RM53 billion to gross national income (GNI). Palm Oil is known as the main commodity of Malaysian society and hopes to increase Gross National Income which estimated reach RM178 billion by 2020. (MPOC, 2015).

In fact, during the world economic crisis which surging Southeast Asia In 1998, Palm Oil giving resurrection for Malaysia and help in economic recovering and able to become the top foreign exchange earner obtained from palm oil. At the moment, where Asian country was struggling with the economic crisis Malaysia was helped by the petroleum and oil which contribute the export performance with 6,5%. Moreover, during the crisis where petroleum was experienced fluctuation, Palm Oil can constantly keep the revenue export for the country Malaysia (Mohammed B. Yusoff et all, 2002).

Palm Oil for Malaysia is not significantly different from what Indonesia gain for the PalmOil which can help them in eradicating poverty, especially in rural areas as the main agenda of Malaysia government in improving the national economic development.

3.2.3 Providing Employment in the Palm Oil Industry

In 10 years, the palm oil industry's journey that helped in the development of the national economy has given help to workers in Malaysia, especially in remote areas. The number of reminds of growth every year from 1997 to 2007 was supported by government programs to assist in increasing labor productivity in the oil palm sector by measuring the ratio of the volume of planting to the yield produced. As a result, the increase was felt in 2000. In 1997, total workers reached 9,038,600 people with an estimated 6.9%, then in 2000 it reached 9,511, 600 with an estimated percentage of 8.5%. In 2005, a significant increase reached 12,290,500 with a 16.1% percent and continued to increase until 2007 with a figure of 17.2% (MPOB, 2007)

In the social perspective, Palm Oil is the development tool in eradicating poverty program since 1960 for Malaysia. As a result, Malaysia is successful to reduce the incidence of poverty rate among the poor. As a country that has two largest Palm Oil companies in the world since 70's era, Palm Oil industry help Malaysia in providing more employment because known that the production of Palm Oil absorbs quite a lot of labor in the production system as well as sales system. In fact, in 2008 Malaysia workforce is known to depend on the Palm Oil sustainability with more than 610.000 people are directly employed by the Palm Oil industry either in a high-skilled or in low-skilled jobs. (Sheil D et all, 2009)

The needs of palm oil workers divided into several fields, processing, planting, field workers, and collectors. The supply of jobs in the palm oil sector is spread in several regions in Malaysia which known as Peninsular, Sabah and Sarawak. In 2014, the absorption of Palm Oil workers that spread in Malaysia region counted a lot. Based on MPOB (Malaysia Palm Oil Board) data, it was found that the total workforce total in the peninsular region reached 180,850 and then for the Sabah area reached 166,879 followed by Sarawak with a total of 103,778 (MPOB, 2015).

3.2.4 Increase the awareness of Palm Oil use

The quality of Palm Oil is very important for Malaysia in order to gain healthier food for their community. Palm Oil extraction is known to use as an ingredient in the food products such as margarine, cookies and milk and the other extract from Palm Oil which is known as oleo chemical is used for the other non-food products such as detergents and soap. Another benefit of Palm Oil extract is as biofuel for automotive indicates which the important role in the development of alternative fuel source. As a result, the demand of Palm Oil use is leading the increasing either domestically or internationally for Malaysia and it was recorded by the high growth rate of 7.9 percent annually compared to soy oil with only 5.6 percent since the 40 years. (Otieno et al, 2016)

From the Palm Oil benefit, Malaysia can get another new opportunity that can explore by the Industry as well as the government, besides that these benefits can increase the Malaysian people to be able in choosing the products that can be consumed for them and also can increase the use of local products for Malaysia.

3.2.5 The Export Performance of Malaysia Palm Oil

From 1996 to 1971 Malaysia became the largest exporter of Palm Oil in the world which defeating Nigeria, which at the time was also as Palm Oil producing countries. In maintaining the position as the largest producer countries since 60's and is known contribute nearly half of world palm oil production, and also Malaysia is a pioneer in the palm oil industry and is a role model for many countries to spur their economy through the agricultural sector, one of which is Indonesia today it becomes the largest exporter of Palm Oil in the world. It is known that Malaysia's export figures are in high numbers in 2011 with RM 80.4 billion with an increasing every year, the destination countries for palm oil exports are China, the European Union, India, the United States, Japan, Pakistan, Bangladesh, and several other countries, with China getting the largest export figure in 2013 with 3.70 million tons of Palm Oil.

Although Malaysia is the second of Palm Oil production country which was originally a pioneer of the development of the world oil palm industry with the development of technology that used from this country, then Indonesia succeeded in developing its oil palm industry, it does not make them stop the sustainability of palm oil. This country is still the destination of several countries in purchasing crude palm oil because the selling price and trade tariffs are lower than some of the other palm oil producing countries with a percentage of 21.8%, which means 9.4% lower than other countries. For example, Turkey is one of the buyers who maintains its relationship with Malaysia and increases the value of buying and selling activities in the palm oil sector (MPOB, Malaysian Oil Palm Industry Performance , 2018).

3.3 Indonesia and Malaysia In Palm Oil Industrial competition

As it is known that Malaysia was the first country to expand their Palm Oil industry in International Market in the Southeast Asia region in the early 1950's. However, Indonesia has succeeded improved their Palm Oil over Malaysia and dominated the Palm Oil market in the world followed by the production and export value growth. In terms of processing the use of technology is necessary in widening the market performance and Indonesia looking for the new technologies advancement to acquire more product made from Palm Oil or Crude Palm Oil for national consumption nor for Export that has been processed (Indonesia Investment , 2017).

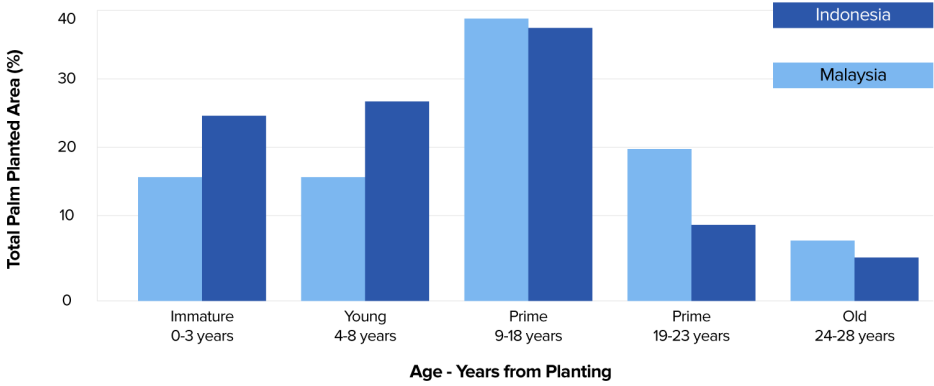
Since 1991, Indonesia and Malaysia have differences in income for comparative advantage for export cases. Economist took this data by describing the advantages obtained in 2000 for palm oil products are different and it is seen from the number of comparative advantages obtained by Indonesia at 69.96% and for Malaysia, 8.87% (M. Affendy Arip et all, 2013). Indonesia leading the total export since 2007 where the export share reached 59,3% and followed by Malaysia that the export share reached 257% (Indonesia Investment , 2017).

In 2016, Malaysia turns out become the second largest importer of Crude Palm Oil with the total of import reached 10,2% from the world total meanwhile Indonesia reached only 0,1 % as Palm Oil importer country. The Import value of Malaysian Palm Oil in 2015 reached USD 1,6 million decreased in 2016 with a figure of US \$ 802 million and Indonesia became the largest palm oil exporting country Malaysia with a figure of 89.9% in 2015 and in the year 2016 reached 87.7% (Indonesia Oil Palm Statistics , 2015).

In terms of processing Malaysia able to produce several palm oil products which supporting by the increasing production of Palm Oil per hectare compared to Indonesia. In other words, Malaysia was dominating the upstream performance (Gunawan, 2018). In processing Palm Oil, Malaysia more capable in producing high quality with a variety of products produced, Malaysia excellence is also supported by the Malaysian government's that active in developing the Palm Oil industry by partnering with several private sectors to improve technology. Palm Oil production in Indonesia can produce 2-3 tons per hectare from smallholders and 4 tons per hectare from private sectors. In developing the palm oil processing and productivity per hectare, Indonesia be able to reach 8 tons per hectare. Meanwhile, Malaysia able to produce 10 tons per hectare (Ramadhani, 2017). The differences between Indonesia and Malaysia Palm Oil productivity and plantation will be explaining on the figure above.

Key Takeaway: The low tree-age profile of Indonesia is expected to drive supply growth, as 49% of total planted areas in Indonesia are immature and young

• The palm planted area of Malaysia is growing at 3.5% (150,000 ha) per annum, whilst Indonesia is growing at 6.7% (420,000 ha) per annum



Source: Malaysian Palm Oil Board



Figure 3.1: Indonesia and Malaysia Palm Oil Plantations

Source: (Malaysia Palm Oil Board, 2015)

Figure 3.1 shows the data of Indonesia and Malaysia Palm Oil productivity and plantation. The figure seen that Malaysia is more advance in producing more prime Palm Oil that ready to be process in various of product with the age number is 9-18 years. Meanwhile, Indonesia leading the plantation land that dominate around 270,000 hectares which for the production Indonesia advance to the immature and young Palm Oil with 0-8 years.

This is supported by the theory of interdependence experienced by Indonesia and Malaysia where in terms of Malaysian palm oil production still requires crude palm oil to be processed into several products (Rahuman, 2015).

Due to differences in the advantages that Indonesia and Malaysia have in the palm oil industry, Indonesia is known to advance in the downstream process for expanding land and exporting crude palm oil, while Malaysia is able to produce high-value palm oil quality and processed in several forms of products that benefit in superior downstream. As a result, the need for cooperation between the two is able to provide benefits both in downstream and upstream of Palm Oil (Helena Varkkey, Adam Tyson, Shofwan Al Banna Choiruzzad, 2018).

3.4 The Cooperation of Indonesia and Malaysia in Maintaining the Palm Oil Sustainability

3.4.1 Established Council of Palm Oil Producing Countries (CPOPC)

Realizing the potential of Palm Oil for Indonesia and Malaysia, make these two countries doing various efforts to regulate their Palm Oil production strategy so as to produce large profits that can help the world in consuming healthy food ingredients and of course the main goal is able to maintain the sustainability of Palm Oil and can conform the world standard of Palm Oil. The Government of the two countries, see that there will be more beneficial if cooperation is created by Indonesia and Malaysia for Palm Oil sustainability. The two governments agreed to create a New Global Standard Sustainable Palm Oil Production, the new global standard will be the result of harmonization between Indonesia and Malaysia standard in purposing to create a new international standard of the world's palm oil industry (Sekretariat Kabinet Republik Indonesia , 2015).

Knowing that SDG are ratifying by more than 140 countries in the world in a year 2015, Indonesian and Malaysia aware of the palm oil sustainability threaten that can disturb their economic development since the anti-palm oil tactics was taking sides in persuade mmanufactures especially in Europe where “No Palm Oil” label was wanted to apply on big company such as Nestle, Tesco and Danone while also it is known that Europe is the most importer country for palm oil. Dr. Makhdzir who as the Chief Executive of the Malaysian Palm Oil Association said that producing countries need to share responsibility of defending the commodity (Daily Express, 2016).

“We need to look at the market realities, respond accordingly to ensure the continued well-being and interest of our oil palm stakeholders. (Dr Makhdzir, 2016)”

Both countries as the two largest Palm Oil producing countries in the world agreed to sign the establishment of CPOPC (Council of Palm Oil Producing countries) in order to maintain price stability by controlling production and stocks in the global market. CPOPC was official established when Indonesia and Malaysia signed the charter of the establishment of CPOPC in Kuala Lumpur, Malaysia on November 21, 2015. This was carried out by the Coordinating Minister for Maritime and Resources of the Republic of Indonesia Rizal Ramli and His Excellency Datuk Amar Douglas Unggah Embas, Minister Malaysian Plantation Commodity Industry. The signing ceremony was witnessed by the President of the Republic of Indonesia Joko Widodo and Malaysian Prime Minister the Excellency Dato 'Sri Mohd bin Tun Abdul Razak. CPOPC was established with the aim of encouraging, developing and enhancing palm oil industry cooperation among its member countries. This will further ensure that the palm oil industry contributes to the economic development and welfare of the entire community (Malaysia Palm Oil Board , 2015)

Moreover, the two ministers also launched Proposed Global Framework of Principles for Sustainable Palm Oil that will be as a model for smallholders under the convention, named e + POP the model known as (e) ecology and welfare (+) for Palm (P) Oil (O) Production standards (P). e + POP consists of 9 principles compiled with regard to the laws and provisions related to sustainable development. This will be a guideline of international standards to other Palm Oil producing countries. These principles will be further developed, the consultation will also be carried out with stakeholders and will further strengthen the image and promote positive values of palm oil (Marbun, 2015).

Knowing the palm oil challenge in various aspects that can threaten the livelihoods of smallholders and will interfere to the economic development of Indonesia and Malaysia as known that smallholders in rural areas are depending on the palm oil cultivation following the global demand for food consumption. This proved by the number of Indonesia smallholder which account for 4 million households and Malaysia alone 500.000 and those are highly dependent on the industry for their livelihoods (World Growth, 2011).

In aiming to create an own standard for Palm Oil sustainability by building on the commitments made under the Indonesia Sustainable Palm Oil and Malaysian Sustainable Palm Oil frameworks, alongside other existing conventions and sustainability, Indonesia and Malaysia government also will enrich the smallholders insight and also will evolve take into account new technologies and concepts as well as the socio-economic circumstances of the new entries. Indonesia's Coordinating Minister for Maritime Affairs and Resources said that the CPOPC will help Joko Widodo administration to transform the Indonesia economy (Rizal Ramli, 2015)

Indonesia and Malaysia to be known as the founding of CPOPC and to support the initial operationalization of CPOPC, Indonesia and Malaysia will each contribute U.S \$ 5 million or around Rp 68.49 billion (assuming the exchange rate is 13,698 per US dollar). CPOPC membership will be opened to all other oil palm cultivation countries including Brazil, Colombia, Thailand, Ghana, Liberia, Nigeria, Papua New Guinea, the Philippines, and Uganda. The CPOPC Secretariat will be in Jakarta, Indonesia (Indonesia Investment, 2015).

3.4.2 Ratifying CPOPC by Indonesia and Malaysia Government

The establishment of the Council of Palm Oil Producing Countries is one form of government support from both countries to increase the economic contribution of the development of the palm oil industry, the welfare of planters, encourage the development of a sustainable palm oil industry, manage palm oil supply and demand, implement sustainable palm oil industry management and environmentally friendly and tablsay various obstacles in the trade of world palm oil, which is deemed necessary to cooperate in the form of the Council of Producing Countries of palm oil (Pablo Pacheco, et all, 2015).

Ratification of Palm Oil carried out by the President of Indonesia, Jokowi in strengthening the organization is stated in Presidential Regulation No. 42 of 2016 concerning Ratification of the Charter of the Establishment of the Council of Palm Oil Producing Countries or known as CPOPC. This regulation contains:

“Article 1: Ratifying the Charter of the Establishment of the Council of Palm Oil Producing Countries / CPOPC which was signed on November 21, 2015 in Kuala Lumpur, Malaysia, the original of which is in English and the translation in Indonesian as attached and is an integral part of this Presidential Regulation.

Article 2: In the event of differences in interpretation between the text of the Indonesian translation of the Agreement with the original text in English as referred to in in Article 1, the original text shall prevail in English.

Article 3: This Presidential Regulation shall come into force from the date of promulgation. For public cognizance, this Presidential Regulation shall be promulgated by placing it in the State Gazette of the Republic of Indonesia. Stipulated in Jakarta, May 4, 2016.” (bphn.go.id, 2016)

The Regulations confirms that if there are differences in interpretation between the text of the Indonesian translation of the Agreement and the original manuscript in English, the original is in English. "This Presidential Regulation comes into force from the date of promulgation," read Article 3 of Presidential Regulation Number 42 Year 2016 which was promulgated by JOM FISIP Vol. 5: Issue II July - December 2018 Page 12 Minister of Law and Human Rights Yasonna H. Laoly on May 10, 2016 (bphn.go.id, 2016).

In the appendix to the President decree, the ratification of the Charter of the Palm Oil Producing Countries is needed to become a legal umbrella for the Government of Indonesia to recognize the existence and operation of the Council of Palm Oil Producers in Indonesia. Since the substance stipulated in the Charter for the Establishment of the Organization of the Council of Palm Oil Producing Countries is quite important, according to this President decree, the Government of the Republic of Indonesia needs to immediately ratify the Establishment of the Council of Palm Oil Producing Countries by Presidential Regulation. 6. Indonesian interests (bphn.go.id, 2016).

In the CPOPC the adoption of CPOPC by President Jokowi has important meaning. Because, by ratifying this charter, the Government of Indonesia has a legal umbrella to recognize the existence and operation of the council of palm oil producing countries in Indonesia. Is the Coordinating Minister for Maritime Affairs and Resources Rizal Ramli who became an important figure behind the founding of CPOPC. He was the one who pioneered and took the initiative to cooperate with Malaysia, the world's leading producer of palm oil. These two countries produce around 85% of the world production of Crude Palm Oil (CPO) (Rizal Ramli , 2015).

Establishment of the CPO Producing Council or the Council of Palm Oil Producing Countries (CPOPC) aims to promote, develop and strengthen cooperation in the palm oil industry between the member States. This will ensure that the palm oil industry contributes to economic development and people's welfare. The functions of CPOPC include promoting the palm oil industry among the oil palm stakeholders of the producing countries, improving the welfare of oil palm farmers, developing and forming a global principle framework for sustainable palm oil, promoting cooperation and investment in developing a sustainable and friendly palm oil industry zone environment, and overcome trade barriers to CPO (CPOPC , 2016).

3.5 Council of Palm Oil Producing Countries

3.5.1 What is CPOPC stand for

The Council that established on 21 November 2015 and was officially ratifying on 10 May 2016 is an intergovernmental organization that aims to unite the world's Palm Oil producers in order to maintain their Palm Oil industry performance and to expand the relations of producing countries that can give them benefit to sharing value of Palm Oil. Council of Palm Oil Producing countries is formed by Indonesia and Malaysia that realize the important of Palm Oil sustainability in the global food, new business opportunities and in generating export revenue (Indonesia Investment, 2016).

Indonesia and Malaysia are initiators of the formation of CPOPC who are also members and as initiators, CPOPC have compiled several criteria that aim to provide a benchmark for producing countries to fulfilled as members of the organization, negotiations are underway to expand connections. Several producing countries expressed their interest in joining CPOPC as member the countries that has been mentioned are Africa and also America to join the oil palm organization which aims to provide certainty about the sustainability of their country's oil palm (Indonesia Investment, 2016).

The CPOPC Secretariat also touched on some criteria that might be issued to be fulfilled by producer countries as members of several criteria which are regulatory standards that every minimum palm oil producing country needs to have so that it can provide input for better development when supported with land which is quite extensive (CPOPC , 2016).

Indonesia and Malaysia themselves have different standards for their national palm oil regulations. Therefore, Indonesia and Malaysia which control 85% of oil palm need to be a benchmark for some countries in setting the price of oil palm because developed countries that consume palm oil import from Indonesia and Malaysia which when the production level decreases or Indonesia and Malaysia determine policies national for palm oil it will also affect the export and import activities that are intertwined between the consumer and producer countries. The functions of CPOPC include promoting the oil palm industry among the oil palm stakeholders of the producing countries, increasing the welfare of oil palm farmers, developing and forming a global principle framework for sustainable palm oil, promoting cooperation and investment in the development of the coconut industry zone sustainable and friendly palm oil environment, and overcome obstacles CPO trade (Indonesia Investment, 2016).

- What is CPOPC purposes

As an intergovernmental organization that focuses on Palm Oil Sustainability, CPOPC have their purposes that devote its attention to cooperation and economic development.

The Council aims to promote, develop and strengthen cooperation in the oil palm cultivation and industry among the member countries.

This is to ensure long term benefits of such palm oil endeavors to the economic development and well-being of the people of the member countries” (CPOPC, 2016).

CPOPC have scope in realizing the sustainable and profitable of Palm Oil for the world and the countries member, In CPOPC the function are Promoting Consultation on the development of the Palm Oil industry among the stakeholders, enhance the welfare of the Palm Oil small holders, Try to develop and establish a global framework of principle for Palm Oil sustainable, Promote cooperation and investment in developing the environmentally friendly Oil Palm, cooperating in research and development as well as addressing impediments to Palm Oil trade (CPOPC , 2016).

Besides, CPOPC also has scope and functions of the council that are following :

1. Promote Consultation on the development of the palm oil industry among the stakeholders in the oil palm cultivating
2. Enhance the welfare of the oil palm smallholders
3. Develop and establish a global framework of principles for sustainable palm oil
4. Promote cooperation and investment in developing sustainable and environmentally friendly oil palm zones, including green economic zones
5. Address impediments to palm oil trade
6. Cooperate in research and development and training and undertake activities

and functions as may be deemed desirable in the interest of the palm oil industry .

There are several organizations that are related to the sustainability of Oil Palm in each producer country, but CPOPC has its own focus in achieving sustainability of oil palm by offering the best and also multiple effects in producing countries. The focus itself consists of 6 fields agreed upon from the interests of these countries, namely:

*Productivity of small farmers,
Sustainability of Palm Oil,
Research and innovation,
Industrial cooperation towards value-added production,
Regulations and technical standard
Trade policy issues. (CPOPC, 2016)*

CHAPTER 4

THE COOPERATION OF INDONESIA & MALAYSIA IN CONDUCTING COUNCIL OF PALM OIL PRODUCING COUNTRIES PROJECTS

The discussion about Indonesia and Malaysia have taken actions as the CPOPC establisher in promoting Palm Oil will be further explore in this chapter also analyzing using theory that has been explain in preveious chapter. In here analyzing through Neo-liberal Institutionalism theory in their complex interdependence that will refers to absolute gain to the country through cooperation

4.1 Harmonizing ISPO & MSPO (Indonesia and Malaysia Palm Oil Standard)

In facilitating cooperative relations between Indonesia and Malaysia in the development of sustainable oil palm, there needs to be a common standard because by bringing the two standards it will be easier for them to conduct trade. EU policy in RED (Reneweble Energy Directive) for palm oil sustainable will be one of the requirements for producing country in meeting the RSPO (Round Sustainable Palm Oil) standard. In responding the policy that might affect to producing country palm oil performance that could not meet the standard, Indonesia and Malaysia is trying to strengthening their national standard for Palm Oil certification from all the stakeholders and smallholders so that it would help them to meet the standard of EU (USDA, 2018).

De Vries (1999) argues the general goal of standardization is to reduce product and procedure variations in human life, facilitate communication, contribute to the overall economic function, play a role in security, health and environmental protection, protect the interests of consumers and society, and eliminate obstacles in trade (Vries, 1999).

Through CPOPC both of them can easily unite the regulation standards for determining oil palm development because of the same goal to maintain the sustainability of oil palm which has become a commodity in helping the economies of the two countries. Previously, they still had a standard known as ISPO (Indonesia Sustainable Palm Oil) and MSPO (Malaysia Sustainable Palm Oil), both of which were in the provision of regulations on the standard setting of Oil Palm, especially for companies engaged in oil palm.

ISPO is known as the mandatory of Palm Oil Indonesia standard that aims to ensure all the producers are conforming to sustain the production practices (Indonesia Sustainable Palm Oil Standard, 2016). While MSPO is a voluntary institution which helps Malaysian Palm Oil industries are officially certificate but MSPO intended to be mandatory in the future (MALAYSIAN STANDARD, 2013). Both of these standards focus on system management, environmental protection, social welfare and economic progress, Indonesia and Malaysia then realize through CPOPC. The Indonesian government held an IPOC (Indonesia Palm Oil Conference) meeting in 2015 to discuss the future of oil palm which led to a partnership with Malaysia that is expected to work on palm oil export tax structures that are mutually beneficial to each other's country competitiveness. The government considers this will be a win-win collaborate for both of them working together in value adding to the global palm oil supply chain (GAPKI, 2015).

During the conference, the Indonesian government with several stakeholders attended the conference to jointly give an opinion on how the sustainability of Palm Oil in Indonesia and Malaysia can be recognized when the standard is fulfilled and by establishing some of these principles, agreement can be made to provide certainty for the Palm Oil industry which indirectly stimulates Indonesia and Malaysia in obtained mutual convenience in the supply chain (GAPKI, 2015).

This implementation is one of the strategies of both governments in rebuilding the primacy of the public and state enforcement authorities. In addition, the strategy is to increase the creation of stakeholder's compliance in implementing zero deforestation (Pablo Pacheco, et all 2017).

To ensure the palm oil produced by the two largest countries is able to follow the rules of international standards that are bound and do not create social- environmental chaos accused by the industry. By CPOPC, harmonizing the national standard will be supporting the Implementation of sustainable practices through the two countries that have their power in leading the 85-90 % of Palm Oil in the world.

4.2 Palm Oil Green Economic Zone

The Green Palm Oil Sustainability was the first project for CPOPC which involving Indonesia and Malaysia to conducting the area as well as the development. Indonesia and Malaysia looking at the suitable land condition that can support the development but also looking at the proper industry areas that will be used, the project will be giving great opportunities in increasing the palm oil production in Indonesia and Malaysia. Hence, Indonesia and Malaysia, via CPOP, will seek to build on the commitments made by the corporate sector. These include the Indonesia Palm Oil Pledge a collaborative pledge by the industry's major private actors to develop sustainable palm oil along the lines of zero deforestation, respect for community rights and cooperative multi-stakeholder efforts. The objective of POGEZ is to increase efficiency and to have better value added palm oil products through the implementation of global framework of sustainable best practices (Sekretariat Kabinet Republik Indonesia, 2015).

The idea of Palm Oil Green Economic Zone coming up after the two countries government has discussed about the development of Palm Oil which is in line to the CPOPC principle on the sustainability of Palm Oil production while supporting the SDG's (Sustainable Development Goals) 2030 POGEZ is one of the initiatives under the proposed of CPOPC, the two countries realize that they are as a competitor by CPOPC working on the premise that they cannot ignore each other (Pacheoco, P et all, 2018).

The strategies begin with the research and development in the land availability and observing the production in each country's areas, Indonesia is one of the largest countries with a lot of Palm Oil land that separated in various areas in Indonesia province then be the initiator in providing the areas for Palm Oil Green Economic Zone and both have their responsible and differences intention in collaborating to the project.

This collaboration further strengthens by Indonesia and Malaysia in agreeing to establish Palm Oil Green Economic Zone, by CPOPC, the government of Indonesia and Malaysia has been reviewing three industrial areas to be designated Palm Oil industrial zones in a bid to strengthen the downstream industry in the world largest Palm Oil producer. The three industrial zones were aimed at producing various Palm Oil products, such as olein and stearin which both are commonly used for cooking oil, margarine and shortening (Kemenperin.go.id, 2015). In the ministerial meeting Panggah visited Malaysia for 2 days and during the visit his discussing about the palm oil economic zone project and Panggah Susanto got interviewed as he is Director General of Agro Industry, Ministry of Industry said that

"We propose Indonesia 3, Malaysia 3. Indonesia in Dumai, Sei Mangke and East Kalimantan. This will be the first project in January. Later, we will endorses that this is the green economic zone," said Panggah (Detik.com, 2016).

The agreement was finalized at a bilateral meeting attended by Indonesian Maritime Affairs Coordinating Minister Luhut Binsar Panjaitan, Indonesian Minister of Industry Airlangga Hartarto, and Malaysian Minister of Companies, Agriculture and Commodities Dato 'Seri Mah Siew Keong in Putrajaya, Malaysia, and each country proposed 3 regions that potentially will build the Palm Oil Green Economic Zone. In Indonesian side, the government wants the development of Palm Oil Green Economic Zone in the Industrial areas that already have Palm Oil development and so, Dumai Industrial Area, Riau, Bontang Industrial Area, East Kalimantan, and the Sei Mangkei Industrial Zone, North Sumatra has been picked by the Indonesia government. While in Malaysia the government proposes, in Lahad Datu, Bintulu, and Tanjung Manis. This is one of CPOPC project that begins in 2017 (Kemenperin.go.id, 2015).

4.2.1 POGEZ in Riau

The countries look at the market realities respond accordingly to ensure the continued well-being and interest of the Palm stakeholder. As Palm Oil becomes one of the industries in which can create an advantage around the areas, shows great potential for Palm Oil Green Zone. Dumai itself, it is known that the development of Palm Oil productivity reach 500 tons per hour with a production area is known in 2015 reaching 954,519 ha can help Indonesia in processing oil palm into several types of needs.

Riau Governor Arsyadjuliandi Rachman said “the two parties had proposed the Dumai Industrial Zone as the development of the 'green zone'. Dumai has the advantage of being located adjacent to the Malacca Strait and adjacent to Kuala Lumpur. For this development, the two countries will agree on several matters” (Bisnis.com, 2016) .

Also, the Malaysian Consul Riau Harfi Hamdin said that it also strengthened industrial relations between the two countries, especially Riau and Malaysia. Many Malaysian upstream industries are located in Riau. "Malaysia also helped develop the potential of the CPO industry in Riau," (Bisnis.com, 2016)

The availability of facilities and infrastructure support the areas in developing POGEZ. Riau is of the areas that picked by Indonesia, has the opportunity to increase productivity because of adequate facilities such as ports for trade activities, then the availability of water, electricity, pulp industry, and paper that has been operate also this can make the areas meet international certified standards of resistance (Susanti, 2016).

Dumai was chosen for an agreement between Indonesia and Malaysia in the CPOPC, the Indonesian Government visited the Riau regional government and private oil palm plantations to discuss further the development of the Palm Oil Green Economic Zone. Riau has become one of the largest oil palm industries in Indonesia with adequate facilities for trade activities. Moreover, the strategic location close to Malacca makes it an opportunity to establish cooperation with Malaysia which facilitates the goal of synergizing the ISPO and MSPO standards (Indagjabar, 2016).

POGEZ's development was also got support from PT.Wilmar as the manager of Dumai Industrial Estate because it had fulfilled the requirements for the development of POGEZ. During a visit to the location of KID Wilmar Group Pelintung, Menprindag accompanied by the Governor of Riau (Governor of North Sumatra) H. Arsyadjuliandi Rahman, Mayor of Dumai H. Zulkifli As and Riau Police Chief Brig. Gen. Zulkarnain Adinegara and the group visited the port and several facilities of PT Wilmar. At present the development of the Green Economic Zone has been developed with an area of 200 hectares with adequate infrastructure and port conditions to complete the downstream industry (Neraca.co.id, 2017)

4.2.2 POGEZ in East Kalimantan

Berau is an area that has the largest oil palm area in the East Kalimantan region, where oil palm land reaches 3,400 hectares. Previously, Bontang became one of the considerations, until the Berau area supported the development of POGEZ with facilities that were prepared ready because they had ports, the availability of water, electricity and the operation of the pulp and paper industry (Berauprokal, 2018). Director General of Agro Industry, Ministry of Industry, Panggah Susanto after accompanying the Minister of Industry, Airlangga Hartarto met the President Director

of PT Berau Nusantara Kawasan Industri (BNKI), Rauf Purnama (Antaranews, 2016).

"We really want one in East Kalimantan, formerly Pupuk Kaltim (Bontang), but the land is not ready yet. Well, in Berau it's ready," Panggah said in Jakarta on Thursday (Antaranews, 2016).

The big factories in Berau such as PT Kutai Refinery Nusantara and PT Wilmar Nabati Indonesia. The transportation of the company's plantations to factories proved to be efficient. From the research, it found that plantation companies in Berau were usually integrated into their own factories, which were built near plantations. This is not surprising considering that many plantation companies in Berau are part of the same business group and have factories that they supply. Integration between plantation companies and factories is an important factor in determining the level of logistics efficiency (Mafira T et al, 2018).

The East Kalimantan regional government agreed to develop the POGEZ program by reducing land but increasing production. POGEZ itself was designed by the Ministry of Agriculture through the Director General of Plantation whose development plans will begin construction in mid2017 (Bumn, 2017).

The policy was also released by the East Kalimantan government with a commitment and focused on the sustainability of oil palm by planning the achievement of the following agreed performance (Climate Policy Initiative, 2018)

- Increase productivity, get better data about actors along the supply chain
- Strengthen independent smallholder organizations, and strengthen partnerships and integration between independent farmers and plantation companies

4.2.3 POGEZ in North Sumatera

Sei Mangkei is an area in North Sumatera that is ready to develop the Palm Oil Green Economic Zone. The existence of facilities that support international standards has prepared in supporting this target, Moreover the Government of North Sumatera Province supports the development of POGEZ. According to the government of Sei Mangkei POGEZ in line with the application of green economic principles that have become the needs of the business world and society today in the future. His readiness is also supported by his supply chain that has received RSPO certification from TUV RHEILAND (Kek.go, 2016).

The governer of North Sumatera known as Tengku Ery Nuradi in his meeting with Secretary of Special Economic Zone National Council said that

"To realize this target, the North Sumatera Provincial Government will fully support all the steps needed. Including various regulations that are the authority of the North Sumatera Provincial Government. (Tengku Ery Nuradi, 2016)"

Sei Mangke having an area of 684,977 ha with a total production of 2,773,793 tons in 2015 (Hendaryati, 2017). The local governments, who see a great potential when the Palm Oil Green Economic Zone is developed, then setting steps in collaborating with the company through promotion both domestically and abroad to attract investment in these areas. The three regions support the development and sustainability of POGEZ because this is closely related to the application of green economic principles that have become the world's needs for the next generation in the future. Then it found how both are approaching all the Palm Oil actors in introducing the Palm Oil Green Economic Zone (Aubert et al, 2017).

4.2.4 POGEZ in Malaysia

Lahad Datu , Bintulu and Tanjung Manis was identifies as Palm Oil Green Economic Zone since those region are meet the Palm Oil Sustainability area. Malaysia government focus on Lahad Datu area since it is known as the region with a high potential of Malaysia Palm Oil development and it is seen by the Palm Oil performance with known now has 1.6 million hectares of Palm Oil plantation, 130 CPO mills, 14 Palm Oil refiners, 14 Palm Kernel Crusher. The Palm Oil production is also showing a good result with 5,21 million tons of crude palm oil production, 0,611 million of PKO, 0,69 million tons of PKC and 28 million dry tons of solid palm biomass (POIC Lahad Datu, 2018).

Moreover, several private companies found in Lahad datu such as Felda Agricultural, Wilmar Fertilizer Malaysia, Union Harvest, Agri Borneo Fertilizer, and any others. Palm Oil Downstream Industries performance is growing rapidly with the support of facilitation and the Business Model through Industrial Clusterinc Concept. The concept of POIC including the investment in the biodiesel industry, palm kernel oil mills, logistics and warehousing, property development, fertilizer production and supporting industries. The investment covers 460.94 acres (186.5 hectares) of the Industrial Development Minister, saying that from the investment commitment of RM3.4 billion, RM1.8 billion has been realized, including the construction of 21 factories or warehouses, while three more factories or warehouses are being built on POIC industrial sites (POIC Lahad Datu, 2018).

As mentioned above how Malaysia focuses on the Lahad Datu region as a good trading activity especially for oil palm development, known as POIC (The Palm Oil Industrial Cluster), which has attracted around 62 investors with profits of RM 9 Billion since it was first developed in 2005. Recently, Malaysia government has declared that Lahad Datu industrial sector has been one of the POGEZ by the Ministry of Plantation Industries and Commodities. The development also began with land expansion and increased production supported by adequate infrastructure and then strengthening research and development of palm seeds to develop palm oil products for food or biogas (POIC Lahad Datu, 2018).

As far as Malaysia has been improving their technique to realizing Palm Oil Green Economic Zone, Malaysia successfully making a big differences to the palm oil supply chain, the Malaysia effort has been recognize by RSPO (Roundtable on Sustainable Palm Oil) while it is known that so far only 17 percent of the world's palm oil fulfill the criteria and standars of RSPO (The Diplomat, 2017).

4.2.5 POGEZ effecting the increasing number of Productivity (Land and Production) for Indonesia and Malaysia

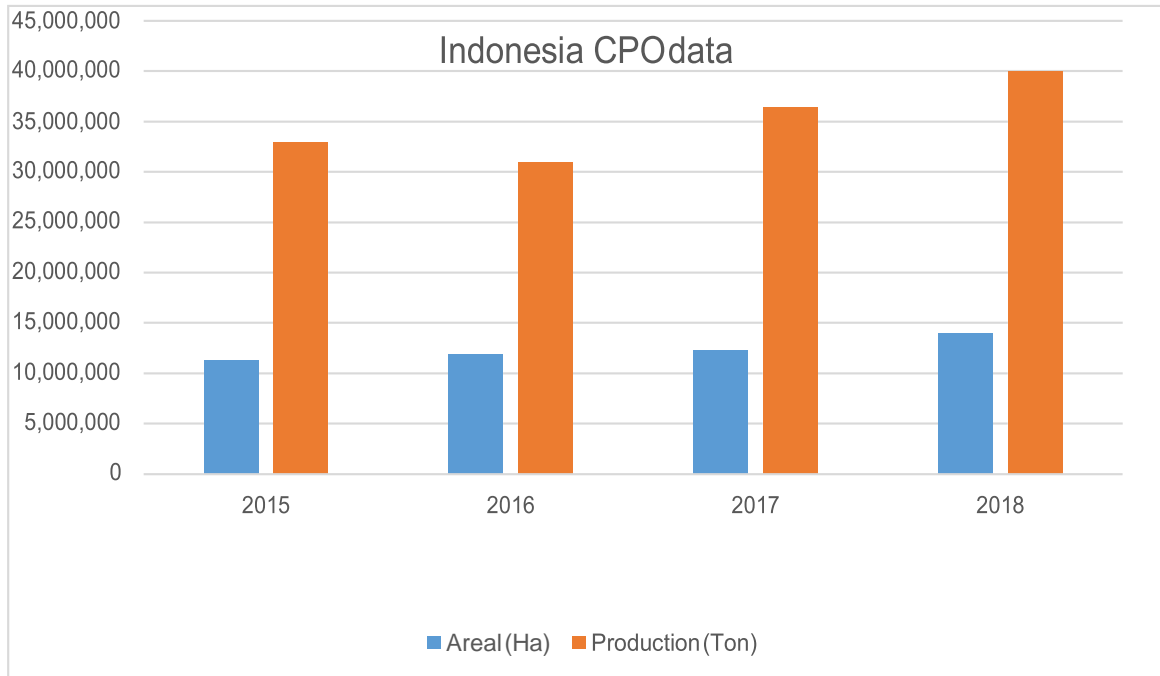


Figure 4.1 Indonesia Data for Palm Oil Production

Source: Ditjebun Pertanian (2015-2017) (Ditjenbun, 2017)

The data shows that the number of Production as well as Areal during 3 years has been increase, the data is known from the result of Government, Private Company, and Smallholders. In Area of Palm Oil that owned by Government is 6.61%, Private Company 53.12% and Smallholders owned 40.28%. While for number of Production in Indonesia 7.55% own by Government, 58.56% owned by Private Company and for list Smallholders own 33,88 from 100% total of Production (Hendaryati, 2017)

In 2015, the number of productions seemed normal along with the number of land area in Indonesia. Unfortunately, in 2016, the number experiencing a slight decrease which causes by lack of replanting, black campaign and random weather pattern. However, in 2017 production is lower that it is expected but regarding number production at 2016 known only reach at about 30 million tons and in 2017 reach 36.5 million tons which mean increase 6 million tons compared to previous year and this figure increased by 18 percent compared to the same period the previous year. In 2018, the trend continued in record at about 38.5 million tons (Hasan, 2018).

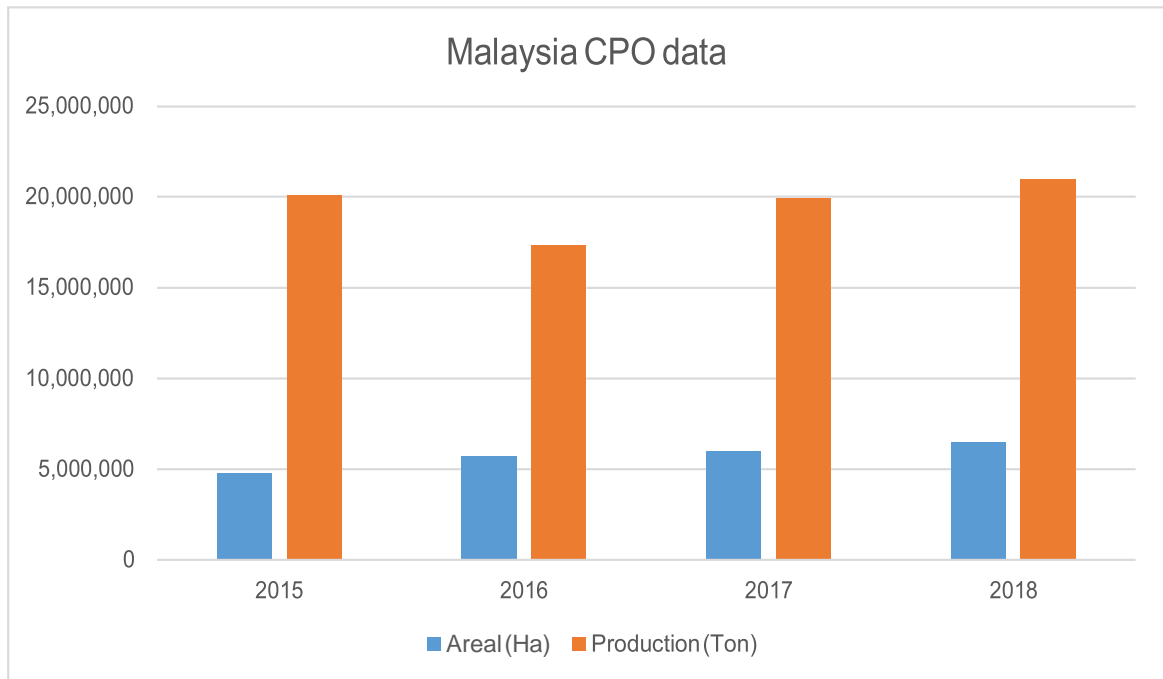


Figure 4.2 Malaysia Data for Palm Oil Production

Source: Index Mundi (MPOC, 2015)

According to MPOB (Malaysia Palm Oil Board) Data saw the record of Palm Oil production and land in Malaysia within 4 years from 2015-2018 experiencing fluctuation within 4 years from 2015-2018. In 2015, Palm Oil production in Malaysia reach 19.96 million tons, and in 2016 the number of productions slightly dropping due to the weather condition (El Nino) 10% drops and remind the lowest since 2010 which reach 17.96 million tons, 2 million tons decrease compared to 2015 (MPOB, 2018).

Like 2017, the number of palm oil production remain to increase 12.01% with 19.40 million tons and the increase was due to the higher FFB processed and also this happens along with the improving weather which has an impact on higher yields. In addition, considerable rainfall since last year has the potential to boost production in the second half of 2018. Production tends to slow down from the beginning of the year to March, before peaking in the third quarter, in line with seasonal trends (ceicdata, 2018).

However, in 2018 the number of productions is showing an increasing with a total production reach 21 million tons which becomes the highest number since 2010. In terms of land plantation, it was known that in 2016 the land plantation remains to increase compare to the previous year and continues to show an increase until 2018 and it has reached 6, 5 million hectares which spread in several areas in Malaysia such as Sarawak, Sabah and Peninsular Malaysia were 1, 56 million hectares, 1, 55 million hectares, and 2,70 million hectares (ceicdata, 2018).

The increasing of land and production came from CPOPC project which is POGEZ, by Indonesia and Malaysia in setting approaching district government to implement the project as strategies to increase the number that also can affect to the price and export performance of Palm Oil of Indonesia and Malaysia (ceicdata, 2018).

4.3 Good Agricultural Practice (GAP) for Smallholders

Responding to the sustainability of Palm Oil that the producing countries want to achieve, leads to economic benefits that can bring prosperity to stakeholders in the development of Palm Oil which is inseparable from the CPOPC scheme as well as the co-forming countries. Therefore, the sustainability needs to maintain in order to make an effective result and offer welfare to all parties that contribute in the sustainability especially for smallholders. As a result, this triggered Indonesia and Malaysia as partners to use the role of Palm Oil in contributing to increasing the labor and number of workers in the Palm Oil industry due to the demanding of production which also as one of CPOPC concern. In 5th Ministerial Meeting that held in Putra Jaya Malaysia Both countries prioritize poverty alleviation and farmers' welfare through increasing implementation of Good Agricultural Practices (GAP) and palm oil rejuvenation programs. Not only that, both of them are also committed to holding the Business and Smallholders Forum in 2019 (Ekon.go.id, 2018).

Indonesia and Malaysia saw that, the necessary of Smallholders insight about Palm Oil production could creating an advantage for both in helping the process of seed planting in a good way. According to Indonesia Agricultural data, 40% of Crude Palm Oil result contributed by the Smallholders. Then, Indonesia and Malaysia took a step in facilitating the smallholders to be able in improving their capability in produce more Crude Palm Oil which also in line with CPOPC in achieving the welfare of Smallholders in rural areas (Saleh, S, Bagja, B, Suhada T.A, Widyapratami, H, 2018).

Indirectly, the CPOPC project which comes up with POGEZ idea in increasing the Production of Crude Palm Oil will effect to the need of human hands to develop, thus leading to the increasing of employment. CPOPC provide a workshop for the smallholders to deeply understand the advancing of Palm Oil production and pushes priority on poverty alleviation and welfare of farmers. Not merely up to that point, the Indonesian and Malaysia enthusiasm in taking a step for the smallholder development are further committing to holding 'Business and Smallholders forum in 2019, with Malaysia as the secretary general at the same years which support by the Ministerial Agricultural of Indonesia and Malaysia (TheInsiderstories.com, 2018).

In holding the Business and Smallholders forum in 2019, Indonesia and Malaysia expected that the result could raise the output of Palm Oil production that could be lead into the increasing of workers in the Palm Oil industry. Providing knowledge to smallholders as one of the strategies of Indonesia and Malaysia to advance the quality of human resources in order to maintain the sustainability of Palm Oil, is an important thing for both, especially in increasing cooperation in expanding employment and can reduce tension that often occur due to Indonesian workers in Malaysia (Siregar, 2018).

The workshops serve as a guidance and tendencies in promoting the sustainable of Palm Oil production to the smallholders by supporting the research for a new age of Palm Oil in the middle of deforestation issues and for the smallholders to be able to recognize the principles and indicators of the Global Crude Palm Oil rule under the RSPO's and with the determination of smallholders the workshops can provide countries to step over to the human resources development in improving the capacity to produce the Palm Oil well (CPOPC , 2018).

The Workshop was held in the forum by group discussion, presenting plans and Q & A session that focused on Palm Oil cultivation. The forum which was attended by 24 interviewees and Palm Oil cultivation experts both countries discussed "Best Agricultural Practices". The workshop was held for two days at Putra Jaya Malaysia on 6-7 August 2018. As a result the workshops discussed various aspects.

- “1) Composting a controlled environment (compost empty fruit bunches for organic fertilizer);
- 2) Community solar panel networks and rainwater capture (shared use of community renewable energy);
- 3) Peanut cover crops (prevention of soil erosion, low moisture control and nitrogen fixation):
- 4) Biodiversity in mosquito-snake-owls, forest fire infrastructure and fire protection strategies.” (CPOPC, 2018)

Thus, the project is better guidance to leading the smallholders in getting well educated in develop the Palm Oil and also promoting welfare in the rural areas.

4.3.1 The increasing number of Palm Oil Labor / Workers

The development of Smallholders through programs that carried out by CPOPC has been referring to the new nucleus plantations of CPO. As a result, this attracting to the investment by local farmers in participating in planting Palm Oil as private smallholder plantation. Then, this growth also encourages the development of SME's (Small Medium Enterprises) which engaged in suppliers, industrial goods/services as well as agricultural products for Palm Oil food resources.

According to the Indonesian Ministry of Transmigration and Employment, there's at least an increasing number of labors in the field of Palm Oil since 2013 and increasing every year in 50 rural areas are developed into new growth areas with a base of CPO production centers, and this also the result of POGEZ scheme that initiate by Indonesia and Malaysia in direct the district government of each industrial area to led the sustainability of Palm Oil production.

How its effects to the number of employments for both countries that influence by the government as well as private sector in supporting the Sustainable of Palm Oil cooperation an enhance the welfare of smallholders seen by the data that each government provide.

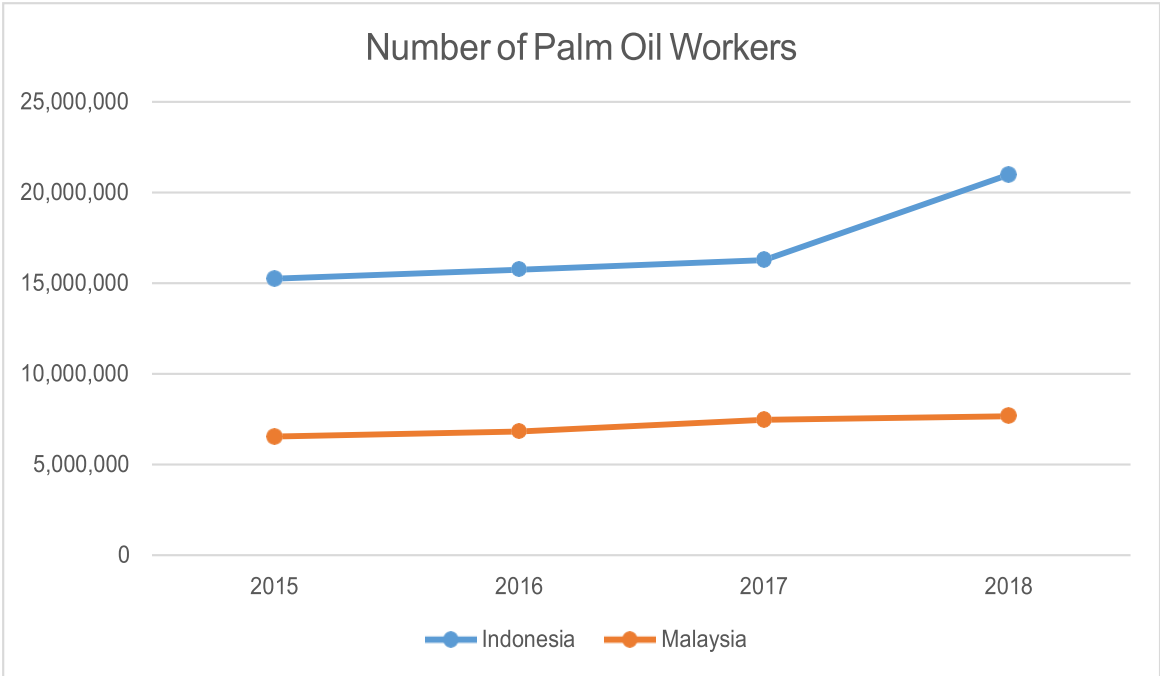


Figure 4.3 Indonesia & Malaysia Number of Palm Oil Workers

Source: Gabungan Pengusaha Kelapa Sawit Indonesia (GAPKI) & Malaysia Palm Oil Council.

4.4 Stabilizing CPO price in the global market by B20

Recently, Indonesia and Malaysia run into the stability of CPO price the decline in exports came out due to the policies of the European countries in re-strengthening regulations on the use of palm oil, so that it affected on import demand for destination countries and also oversupply of CPO.

Indonesia need Malaysia in encourage Malaysia to raise the domestic CPO consumption. The strategy is trying to be applied by the two countries in following the trade flow to return the price of palm oil even though production continues to increase. At the initial meeting of the formation of CPOPC which was attended by both Indonesia and Malaysia, at the meeting David Ng Heng Soon, who is one of the business people in Malaysia said, CPOPC would overcome barriers to trade palm oil and carry out activities and functions for industrial interests for a positive impact at a price (Thestar.com, 2015). In 2015, the B20 biodiesel program had become the topic of the Indonesian government to increase prices again and is expected to implemented in 2016. This will push the price of palm oil to be as high as USD 700 per ton in mid-2016, at the price of USD 530 per ton (Indonesia-Investment.com, 2015).

Biodiesel (B20) is a type of diesel fuel oil that mixed with 20 percent of the components of palm oil (Conley, 2006). Mandatory use has been stated in Presidential Regulation (Perpres) Number 24 of 2016 concerning Amendments to Presidential Regulation Number 61 of 2015 concerning the Collection and Use of Palm Oil Plantation Funds (Sekretariat Kabinet Republik Indonesia, 2018).

The obligation to use B20 for the Public Service Obligation (PSO) and non PSO sectors is in line with efforts to achieve the target of 23 percent of the Renewable Energy (EBT) portion in the 2025 energy mix. On the one hand, the sector is targeted to be realized in 2020. The B30 testing will begin in 2019. By focusing on B20, the policy was also set by Indonesia in implementing the use of fuel with a mixture of 20% palm oil by prohibiting the sale of regular diesel fuel that allocated at refueling stations. The Indonesian government will also impose sanctions if it is found selling fuel that does

not contain palm oil. This has been socialized by the Indonesian and Malaysian governments when holding seminars on good agricultural practices held by CPOPC (Reily, 2018).

Indonesia invites Malaysia to increase biodiesel use to 20 % which aims to boost the price of crude palm oil in the still low global market. Malaysia government since 2013 been tested the use of Palm Oil in biodiesel with 10% or known as B10. The implementation was announced by the government that all fuel will be replaced with B10 biodiesel in 2017 (USDA, Malaysia: Biofuels Annual, 2017).

The use of B20 can help reduce the declining export production in 2016 due to the enactment of EU policies on reducing the use of palm oil. The B20 policy is considered to support the creation of price stability of crude palm oil. One of the solutions to stabilize the price is by controlling the use of Palm Oil which is allocated to fuel and this can control the Palm Oil price in the global market. So, Indonesia invites Malaysia to jointly implement B20 in stabilizing prices with palm oil importing countries. Aside Malaysia, Indonesia invites China in increasing the use of biodiesel mixed fuels into fuel oil, as Indonesia has done implementing mandatory biodiesel of 20%. Indonesia government Energy and Mineral Resources Ministry Renewable Energy Director Rida Mulyana said on the interview said that:

“We expect there will be an increase in the consumption of B20 by 3 million kiloliters [next year],” he said as quoted by kompas.com, adding that the state-owned electricity company alone was expected to consume about 700,000 kl of B20 next year” (The Jakarta Post, 2018).

“The consumption increase is expected to help boost the crude palm oil [CPO] price and help oil palm growers” (The Jakarta Post, 2018)

CPO Global Price in the last 50 years, almost all commodities especially vegetable oil, have experienced price declines with an average of one percent per year. Agricultural commodities that have suffered decreasing is palm oil, which is a mainstay for the national economy. The current condition exacerbated by the black campaign of EU policy in the Palm Oil market, and also the trade war between the U.S and China has triggered a decline in the price of Palm Oil in the domestic market which effect on the falling of palm oil prices at the national farmer level.

CPOPC which has one of the objectives to stabilize world CPO prices to bring this organization to implement several policies in an effort to increase CPO prices in the eyes of the world. Below is attached the data on palm oil prices within a period of 4 years due to the policy of CPOPC in stabilizing prices, one of which is by applying 20% use of palm oil in fuel, or B20, besides fluctuations in the price of palm oil also a US-China trade war in the sale of vegetable oils.

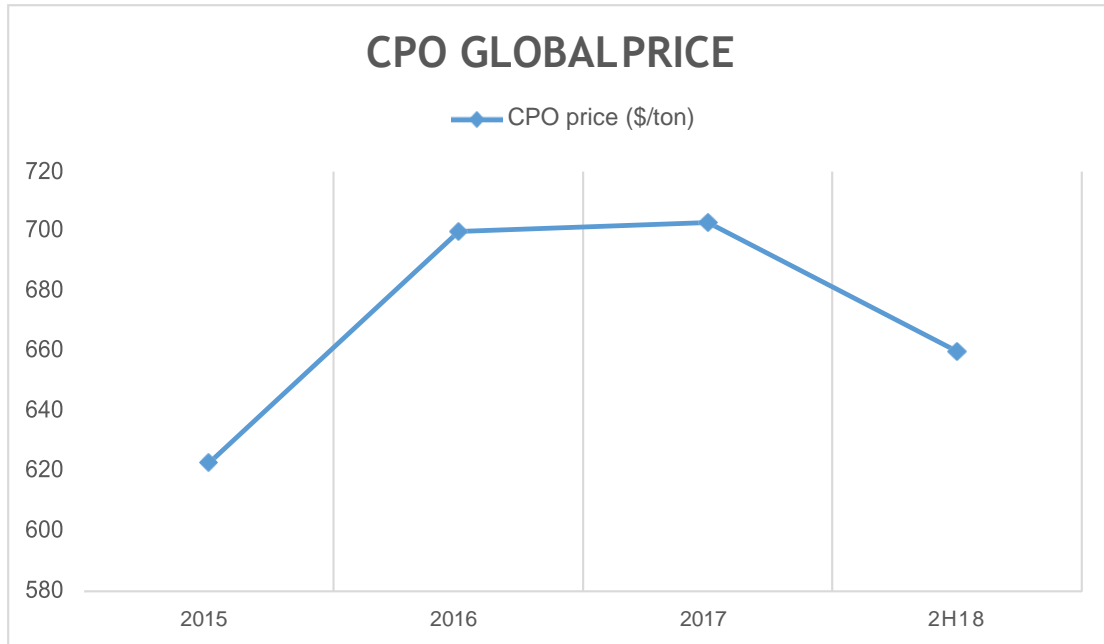


Figure 4.4 CPO Global Price

Source: Index Mundi (Indexmundi.com, 2018)

The policy also determined by suppressing the use of palm oil at the national level to balance the level of production which continues to increase with market prices so that there is not enough loss for the producing country.

First CPOPC meeting the policy for the use of biodiesel by limiting palm oil by around 20% has been discussed since 2015, then implemented in 2016 by inviting several producing countries to implement the same policy. The results are also evident from data from the World Bank that outlines world palm oil price data per \$ / ton from the early 2015-semester I 2018.

The 2015 Palm Oil Prices in 2016 experienced a good increase, then in 2016 to 2017 the numbers look stable. However, in late 2017 and early 2018 the number decreased to 660 \$ / ton in the middle of the year, this was due to the increase in temporary production of exports to several countries experiencing a decline and re-strengthening of EU policies (Worldbank.org, 2018). Even though the decline in prices occurred in the first half of 2018, it did not affect the number of exports of palm oil in destination countries that had become trading partners had increased. However, the decline in prices also needs the attention of CPOPC as an organization to lead the global crude palm oil.

CPO prices dropped to the lowest level in the past 3 years, prompting investors to play safe by holding back buying. The stock is sure to soar at the end of the year and prices will be the same or even decline, because demand at the end of the year is expected to decline due to the cold weather. However, observers believe that there will be positive sentiment capable of sustaining CPO prices by the end of 2018 by increasing minimum biofuels in the production of local biofuels that Malaysia has implemented from 7% to 10%, a policy that will take effect on 1 December. What Indonesia has done with greater use of 10% is 20% (AntaraneWS, 2018).

The policy adopted by Indonesia, together with Malaysia through CPOPC does not seem to affect the rise of CPO prices in 2018 amid black campaigns and policies carried out by the European Union. However, it is not impossible that CPO prices will rise again in the future if Malaysia also manages to implement and even increase the use of palm oil in biofuels and also approaching China. This will not reduce CPOPC's work in increasing performance on the international market.

4.5 Participated in the Global Forum

In order to enter the International Market, CPOPC needs to approach International organization which related to the Palm Oil performance in leading the global palm oil. The Executive Director of CPOPC, Dr. Mahendra Siregar, looking at the opportunities for Palm Oil future in partnership with the IO. Setting out the collaboration are proposing through participate in the Global Forum which discusses the potential of vegetable oil in the worlds especially the increasing demand for Crude Palm Oil in today era.

The high concern of CPOPC in entering the global arena to defense the commodities that have a major influence on the economy is realizing through the discussion which involving the parties who are concerned about the progress of the future economy. The existence of negative issues in reacting to the Palm Oil crude which influence by the states protectionist attitude in economic sentiment, especially in the Palm Oil industry have tremendous effect to their economy performance and trade relations among producing countries and importers. (Thestraitstimes.com, 2018)

In the case of CPOPC, cooperation is needed to expand relation in responding to the issue in alleged those countries. Introducing the vision and mission of CPOPC to represent the anxiety of producer countries that are experiencing a decreasing of Palm Oil sales to the developing countries which have a large contribution.

4.5.1 World Trade Organization Public Forum



Picture 4.1 CPOPC Executive Director joining WTO Public Forum

Source: CPOPC.org (CPOPC, 2017)

Appearing in the Global Stage, the Executive Director attend to the World Trade Organization Public Forum on late September 2017 in highlighted the new system of cooperation especially in the Palm Oil. Since the emergence of issues affecting to the Palm Oil producer countries and various restrictive measures in the form of tariffs and non-tariff barriers to Palm Oil and also discriminatory of irresponsible groups in accusing Palm Oil as a major factor in destroying the environment and climate change, triggered the CPOPC to open votes on the occasion of a multilateral forum by the WTO

PF that aims to improve the perception of Palm Oil by bringing efforts to prove it scientifically and the economic benefits generated by several Palm Oil stakeholders and national palm oil organizations include, FEDEPALMA (Colombian National Federation of Palm Oil Growers), EPOA (European Palm Oil Alliance), MPOC (Malaysian Palm Oil Council), Indonesia Biofuels Producer Association, and GREPALMA (Guatemala's Palm Oil producer Association). (WTO.org, 2017)

World Trade Organization Public Forum is an annual event that attended by 1.500 participants that involving leaders, parliament members, academician, businessman, NGO's and parties that related to the discussion forum. The forum with "Trade Behind the Headlines" theme was attended by Mahendra Siregar, the executive director of CPOPC in promoting the vision and mission of CPOPC in looking the possible way out to fight the negative issues of Palm Oil which ban by EU in introducing the new system of Palm Oil production in focuses on 6 program that promote the sustainable development interests of the production countries (members). In 6 sectors by encourage all the stakeholders in seeking new areas of mutual interest that exist in the global economy. (CPOPC.org., 2017)

The working session that was discussed by the speakers Mahendra Siregar as Executive Director of CPOPC, Muiricio Posso as Director of Commercial Strategy, Margot Logman as Secretary General of European Palm Oil Alliance, Kalyana Sundram as Chief Executive Officer Malaysian Palm Oil Council (MPOC), Paulus Tjakrawan Taningdjaja, VP of Indonesia Biofuels Producer Association, Susana Siekavizza as Director of Guatemala's Palm Oil Producers Association (GREPALMA), on the working session it was aims to the negative perceptions on palm oil based on factual and scientific evidence in share the respective countries compliance and private sectors experience towards fulfilling the sustainability criteria in line with UN Sustainable Development Goals (Wto.org, 2017) .

This is expected to bring CPOPC more broadly in promoting the vision and mission and helping to collaborate in forming policies in trade that result in ease of bargaining or even reducing barriers to re-enter the country's largest oil palm importer or even approach new countries in selling the Palm Oil crude.

4.5.2 CPOPC Joint Research with UNCTAD



Picture 4.2 CPOPC UNCTD & CPOPC Meeting in Bali 03 November 2017

Source: CPOPC.org (CPOPC, 2017)

Strengthening relationships by engaging with several international organizations have been carried out in various ways facilitated by CPOPC itself. Considering the principles that are focuses on the goals of the organization of palm oil are important to be implemented properly. October 2017, the Executive Director of CPOPC was initiating a breakthrough step by collaborating with UNCTAD to promote oil palm issues from aspects of development and world trade in the context of SDGs. The important effort was welcomed by UNCTAD by realizing a special meeting to discuss the joint research collaboration plan between CPOPC and UNCTAD.

CPOPC facilitated a dinner held in Bali in November 2017, taking the topic "*utilizing the potential of Indonesian palm oil for small farmers*", this has become one of the focuses of CPOPC for developing countries, especially countries with the world's largest palm oil producers

Facilitated by PTRI Geneva, Executive Director of CPOPC is initiating a breakthrough step by collaborating with UNCTAD to promote the issue of oil palm from the aspects of development and world trade in the context of the SDGs. The important effort was welcomed by UNCTAD by holding a special meeting to discuss the joint research collaboration plan between CPOPC and UNCTAD. The Indonesian Permanent Representative for the United Nations, WTO, and other International Organizations in Geneva, Ambassador Hasan Kleib called the move a concrete effort of RI diplomacy in struggling to obtain the endorsement of relevant UN agencies to support the development of the world oil palm industry for the benefit of scattered smallholders. in various global palm oil producing countries (Mission Indonesia , 2017).

In the discussion, the Head of the UNCTAD Commodity Research and Analysis Section (CRAS), opened a presentation with the above discussion, that in the next few years the world will receive an increase in demand for palm oil, so there needs to be an increase in knowledge for human resources specially to enrich the smallholder's insight about palm oil cultivation.

In addition, there's some agreement agreed aside to desk research, field research will also be conducted for all relevant stakeholders. The research will use quantitative and qualitative data, in collaboration with various universities, consultants and Indonesian think-tanks as UNCTAD's local partners. UNCTAD also promised that the discussion of the issue of palm oil could bring CPOPC to the UN system's intergovernmental process, using the basis of the results of the UNCTAD-CPOPC collaboration research. The results of the study can also be used as a reference for other palm oil producing countries. (Mission-Indonesia.org, 2017)

4.5.3 FAO with CPOPC



Picture 4.3 FAO Director Jose Graziano da Silva & Executive Director of CPOPC Mahendra Siregar

Source: CPOPC.org (CPOPC, 2018)

Along with CPOPC support for developing sustainable development goals, CPOPC took the initiative to attract FAO as an organization that can choose Palm Oil for commodities in the example project of FAO. FAO supports CPOPC by seeing the development of superior oil palm from other vegetable oils which then attracts FAO's attention agreed in conducting meetings with CPOPC. According to Luhut, the Coordinating Minister for Maritime Affairs, the support obtained from FAO was given because all parties agreed on the principle of the Sustainable Development Goals whose main target is poverty alleviation and must be done in an integrated manner (CPOPC , 2018).

The government also believes that an unfair campaign will not be overcome, so the obstacles will be increasingly felt by palm oil producing countries in sales barriers which will peak in 2021, where the EU bans palm oil imports for biofuels and bioliquids, including biodiesel, by inviting FAO, indirectly the policy will be determined considering the demand for palm oil is also getting higher every year. In May 2018 CPOPC Executive Director Mr. Mahendra Siregar, met with FAO Director General Mr. Jose Graziano da Silva at FAO headquarters in Rome to discuss the initiative (Azzura, 2018).

4.5.4 CPOPC in International Oil Palm Conference



Picture 4.4 CPOPC in International Oil Palm Sustainable Conference
Source: CPOPC.org (CPOPC, 2018)

After attending and holding meetings at several conferences and also encourage international organizations to help CPOPC as a forum to change the negative perspectives and establish policies on palm oil sales aimed at leading world palm oil, then attend international conferences representing the world's palm oil producing countries in obstacles that are being experienced, and CPOPC Standing as a savior to express this by issuing several statements about how CPOPC should respond to black campaigns and what strategies have been planned.

The International Oil Palm Conference was held in Colombia on September 26, 2018. Criticized some of the European Union's policies in the performance of palm oil. Therefore, Mr. Siregar issued several questions regarding palm oil and a significant contribution in achieving SDG's 2030 (CPOPC, 2018).

Criticizing, the EU's policy in establishing criteria in 2019 to allow a clear distinction between high and low risk ILUC that runs with CPOPC pricing policies in trading policy, CPOPC offers legitimacy to the ILUC scheme in RED II through promotion of the use of vegetable oils in biofuels is very important to combat climate change, which has been described previously by CPOPC and its implementation has been planned by the Indonesian and Malaysian governments as forming the organization (CPOPC, 2018).

Through the International Palm Oil Conference, all CPOPC plans that have been carried out have been expanded at international conferences which are expected to be able to represent oil palm producing countries in expressing their desires and also having an effect on the ease of access to countries' main export destinations. In the conference CPOPC issues some statements regarding the palm oil black campaign:

1. Under the proposed Renewable Energy Directive II (RED II), the Commission of the European Union is mandated to establish criteria to help distinguish between high and low risk Indirect Land Use Change (ILUC) across the vegetable oil sector in general used for biofuels;
2. There are several EU models for ILUC that have been proposed none of which, nor could provide definitive evidence that would allow for a clear distinction between high and low risk ILUC. Nevertheless, the Commission is mandated to establish criteria by February 2019 to allow for such a distinction to be made;
3. The ILUC concept is of US and EU origin, but it is not globally accepted approach or standard for assessing the impact of ILUC on climate change. It helps underpins EU policy, but it is not international norm upon which palm oil producing countries could or should build their environmental policies;
4. CPOPC draws attention to the fact that there is over 1.7 billion hectares of land devoted to the production of crops globally, of which only 4% is devoted to

biofuel. In our view, the very marginal use of land for biofuel calls into question the very basic premises of indirect land use change resulting from the cultivation of vegetable oils for biofuel. The major pressure on the global land is the production of crops for feedstuffs for animal and humans, and not biofuel;

5. While CPOPC considers that the scientific community of palm oil producing countries should engage with the Commission, the Governments in the developing world should be fearful of being drawn into acknowledging, accepting or offering legitimacy to the ILUC scheme within the RED II;

6. Palm oil producing countries should also be mindful in the weeks ahead of the objectiveness of the criteria being established;

7. CPOPC is of the view that the use of ILUC to target palm oil would represent a basic violation of the non-discriminatory principles upon which the WTO multilateral system is based; and that any related EU regulation or decision would likely constitute a Technical Barrier to Trade. In this respect, there is concern that palm oil will be targeted as several EU models are associated with the conversion of forests and peat lands with ILUC;

8. CPOPC does not necessarily subscribe to this concern, but we believe that criteria established by the EU should also address carbon retention in lands that have been converted from forests and peat in Europe; as well as to take account of the relative productivity of vegetable oils and the importance that this plays in protecting the global land bank as global demand shown no signs of slowing down;

9. There are wider concerns that have been expressed by palm oil producing countries that criteria should also take into account the historical impact of mass deforestation in Europe. It may be argued that any scheme that does not take this into account lacks objectiveness;

10. CPOPC supports the global agreement embarked by all Members of the United Nations that is to achieve Sustainable Development Goals by 2030 (SDGs). In this context, there is no doubt that palm oil has contributed to the reduction of poverty, to social and economic progress in palm oil producing countries, though we do fully recognize the importance of addressing the environment to ensure that palm oil is produced sustainably;

11. CPOPC considers that the SDGs does not mean a trade-off between social and economic progress and the environment, but rather the need to balance out these aims, and CPOPC and other Palm Oil Producing countries are willing and open to engage with trading partners and stakeholders on how to achieve SDGs in the vegetable oil sector;

12. In contrast to the direction of EU RED II, CPOPC believes that the promotion of first-generation biofuel is an essential element for achieving the SDGs in palm oil producing countries. The use of vegetable oils in biofuel is essential to combating climate change and it is also important for all Governments in Palm Oil Producing Countries to reassure and give certainty to our industries that biofuel investment will not be undermined as is the case in the European Union. (CPOPC, 2018)

4.6 The Role of CPOPC for Indonesia and Malaysia in Ccooperate For Palm Oil Sustainability.

Reaching the final part of this thesis, the researcher will analyze the results of research related to all data that presented in the previous chapter by using the theory such as Neoliberal institutionalism which focuses on complex interdependence and absolute gain that bring Indonesia and Malaysia into this collaboration.

Based on data described by the researcher, in how cooperation affects the level of palm oil production in each country and absorbs more than 5.5 million workers in the plantation sector and employment continues to increase each year (Azhari, 2017). Therefore, an interdependence which based on the desire in getting profits becomes effective (tends to reach the expected target) and improving the relationship between both countries when carrying out projects. In the analysis of this sub-chapter, the researcher will explain 3 points that resulting from the cooperation of the two countries and the supporting factors. This theory helps us to understand how CPOPC was formed

as one of the desires of Indonesia and Malaysia to cooperate in the field of oil palm and support the neoliberal institutionalism theory that the existence of institutions will provide convenience for Indonesia and Malaysia in providing solutions to problems between countries (Martin, 2008)

4.6.1 The work of Institutionalism into Indonesia and Malaysia Palm Oil Cooperation

Through collaboration by formed the palm, oil council becomes a way of realizing the interests of producing countries. As explained by Joseph M. Grieco and G John Ikenberry who suggested a system of state power and world markets that would bring solutions to the problems among countries (Joseph M. Grieco, G. John Ikenberry, 2002). Indonesia found a problem with the performance of the palm oil industry which had an impact on the national economy and declines the level of exports as well as Malaysia. In addition, Keohane and Nye explained that in the current era of globalization, the role of organization or institutions has a significant influence on state behavior. Organizations play a major role in mediating to achieve and maintain cooperation between countries. The state will be willing to cooperate when institution have (a set of rules, limiting activities and forming actor expectations) can be seen as useful (Liliana Botcheva, Lisa L. Martin , 2001). Because according to Keohane and Nye, countries are rational actors they maximize the absolute gain of gain and ultimately interdependence.

In this case, an institution or organization is considered as important element in the era of globalization that has linked the country to create interdependence among countries in the world. The role of CPOPC as a mediator for Indonesia and Malaysia is to promote cooperation in the palm oil sector and then resolve economic problems. The existence of CPOPC helped Indonesia and Malaysia to agree on some plans for the sustainability

of oil palm by providing information and advice to palm oil producing countries regarding the current problems with several meetings in discussing this matter.

In addition, CPOPC also has a role in making Indonesia and Malaysia as partners in cooperation in the field of palm oil. Based on the results of the collaboration between Indonesia and Malaysia in realizing this, the role of CPOPC is significant in implementing several policies, one of which is the unification of Indonesian and Malaysian regulatory standards known as ISPO and MSPO to form oil palm in accordance with the certification and standard of palm oil regulation the world is RSPO, so it would be easy to be recognized as an industry that supports SDG's 2030. This then led the Malaysian government to make MSPO a mandatory standard to facilitate the unification of new standards realized through CPOPC. As explained in Josep and Grieco's book on the importance of the role of institutions (Joseph M. Grieco and John Ikenberry G , 2003). Finally directing the CPOPC as an agreement or contract between oil palm actors that can reduce uncertainty and also solve the problem of collective action. In other words, reducing the uncertainty of palm oil prices especially those that have affected export performance in European countries by establishing a B20 program to allocate palm oil to biofuels so as to stabilize prices.

4.6.2 The Complex Interdependence of Indonesia and Malaysia to the increasing of Palm Oil Production Number

Cooperation between Indonesia and Malaysia in establishing good relations, especially in the palm oil industry, arises because of the shared interest and their own direct results to maintain economic stability as well as international trade. This is reinforced by the neoliberal institutionalism and the transnationalists / neoliberals believe that:

“States are not motivated solely by national interest defined in terms of power.” (Genest, 1996)

The theory explained more deeply through the definition of complex interdependence that the two countries want to integrate the economy by considering the costs and benefits of interdependent relations (Rana, 2015).

In this regard, Indonesia sees a good opportunity when working with Malaysia to improve oil palm trade relations which can affect the activities of their national and

international oil palm markets. The existence of different needs that Indonesia and Malaysia have brought CPOPC in developing a plan to find solutions in carrying out oil palm activities that helped in national economic growth. The role of the Indonesian government in collaborating with Malaysian oil palm stakeholders by holding a meeting attended by local governments in the development of the Palm Oil Green Economic Zone mediated by the general secretary of CPOPC in explaining the potential of the area to be built in the project is an interdependence needed in oil palm development, then realized in a joint project.

The paragraph statement above has been proven by the translation of data on land expansion which triggered an increase in production, showing that almost 50% of the land devoted to developing cooperation in Indonesia is owned by Malaysian company, but the land and soil stability structure that has triggered an increase in production come from Indonesia (Detikfinance, 2008).

In this context both have needs and are interdependent, as proves the Indonesian planting system and also the technology used and also done by Malaysia which can increase production more per hectare so that it does not waste land, while for Malaysia it requires Indonesia to expand land due to limited land owned by Malaysia. Linked to the explanation of complex interdependence about how the attitude of policy making is based on the situation that has an effect on the mutual benefits felt between the two countries and also the actors involved in the project activities (Rana, 2015).

CHAPTER 5

CONCLUSION

Palm Oil has become a major commodity in the vegetable oil even replacing nuts and other vegetable oils. Palm oil has many uses for food and even non-food and causes an increase in demand for palm oil for world consumption. As for the countries which are the biggest importers of palm oil, one of them is China, India and Pakistan contributing to oil palm development in the producing country. The largest producer countries are in Southeast Asia, Indonesia and Malaysia, followed by other producing countries such as Thailand, Colombia, Brazil, European countries and African countries.

Indonesia and Malaysia lead the Palm Oil market with 85% of the total production and land, through palm oil the expedition of Indonesia and Malaysia are in good numbers and even able to contribute to the national economic development. The oil palm trade policy set by Indonesia and Malaysia will affect the cost of world palm oil and its derivatives. Negative issues about oil palm will also affect their production when faced by organizations that support environmental protection.

As the largest oil palm producer country, both of them have different advantages where Indonesia excels in land supply and also land structure while Malaysia is superior in processing. So, it can be said that this country needs each other when they want to maintain the sustainability of oil palm because as a country that has a large influence on the international market for oil palm, there needs to be a standard set by the two countries.

Organizations were formed, namely by inviting several producer countries to jointly set standards for palm oil to remain a leading commodity in vegetable oil. In the modern era, cooperation is something that is needed by the state when it wants to achieve goals that can cover all aspects, this is supported by the theory of neo-liberal institutionalism

which states that the state has interdependence to achieve a goal and the role of the organization will be achieved.

The Council of Palm Oil Producing Countries as a platform for Indonesia and Malaysia in maintaining their palm oil sustainability that almost stopped the production by the European Union due to palm oil contribute to the climate change. Hence, CPOPC also has a goal to support sustainable development goals that can meet international standards, the welfare of small farmers as an element that contributes greatly to the development of oil palm and develops the quality of high-value palm oil.

Indonesia and Malaysia as the founders also made several plans and actions to promote oil palm, one of which was the construction of economic zone palm oil green, then implemented Best Agricultural Practice, stabilizing world CPO prices. In addition, in promoting oil palm, CPOPC together with Indonesia and Malaysia participated in international meetings with the parties concerned to make a profit.

The results are also seen from the increase in production in Indonesia and Malaysia as well as increased employment in the palm oil sector, especially for Indonesia and Malaysia. In the period 2015-2018, Indonesia and Malaysia were able to contribute in implementing the programs.

References

Book

Fry, J , DPhil, Fitton, C, Bsc. (2013). The Importance of the Global Oils and Fats Supply and the Role That Palm Oil Plays in Meeting the Demand For Oils and Fats Worldwide. *Economic Review and Perspective*, `1-8.

Arif. (2010). Economic Impacts of Foreign Labour. Paper presentd at the Palm Oil Industry Labour: Issues, Performance & Sustainability (PILIPS), 8-9.

Genest, M. A. (1996). *Conflict and Cooperation: Evolving Theories of International Relations* Belmont, CA:

Joseph M. Grieco and John Ikenberry G . (2003). *State Power and World Markets: The International Political Economy*. New York: W.W. Norton & Co.

Liliana Botcheva, Lisa L. Martin . (2001). *Institutional Effects on State Behaviour : Convergence and Divergence* . The International Studies Association , 24-26.

Martin, L. L. (2008). The Promise of Institutional Theory . In R. O. Keohane, *The Promise of Institutional Theory* (pp. 50-51). -: JSTOR .

Journal

Azman Ismail, Mashani Ahmad, Zuraihan Sharudin. (2015). Labour Productivity in the Malaysian Oil Palm Plantation Sector . *Oil Palm Industry Economic Journal*, 2.

Aubert, P.M, Chakin,A, Laurans,Y . (2017). Implementation and effectiveness of sustainability initiatives in the palm oil sector: a review. *IDDR* (Institute for Sustainable Development and International Relations, Paris/Sciences Po), Version: 1, 8-10.

Axelrod, R. (1984). *The Evolution of Cooperation* . Massachusetts: Perseus Books.

- Barlow C, Zen Z, Gondowarsito R. (2003). The Indonesian Oil Palm Industry. *Journal of Political and Social Change of Australian National University*, 12-14.
- Berauprokal. (2018, 01 26). *POGEZ Diterapkan di Berau Agar Sustainable, Lebih Ramah Lingkungan*. Retrieved from berau.prokal.co:
<http://berau.prokal.co/read/news/53509-pogez-diterapkan-di-berau.html>
- Bhattarai, M, M, Hamming. (2001). "Institution and the Environmental Kuznets Curve for Deforestation: A Cross - Country Analysis for Latin America, Africa, and Asia. *World Development*, 995-997.
- Bumn. (2017, 02 17). *Kaltim Kembangkan Zona Ekonomi Hijau Sawit*. Retrieved from bumng.go: <http://bumng.go.id/ptpn13/berita/0-Kaltim-Kembangkan-Zona-Ekonomi-Hijau-Sawit>
- Carrere, R. (2010). Oil Palm in Africa. *WRM series*, 4.
- Carrere, R. (2013). *Oil Palm in Africa*. Africa: WRM.
- Corley, R.H.V., Hardon, J.J. & Wood, B.J. (Editors). (1976). *Oil Palm Research*. Amsterdam: E1-sevier Scientific Publishing Co.
- Deike, J. (2005). The (Re-) Positioning of the Indonesian and Malaysian State in the Sustainable Palm Oil Governance : An Empirical Contribution to the Idea of "Cunning State". *Journal of Wageningen University*, 35-37.
- Calle F, Pelkmans L, Walter A. (2009). A GLOBAL OVERVIEW OF VEGETABLE OILS, WITH REFERENCE TO BIODESEL. London: Imperial College London.
- Ermawati, T , Septia, Y. (2013). The Export Performance of Indonesia's Palm Oil. *Journal of Pusat Penelitian Ekonomi*, 50-61.
- Fratinvergano.eu. (2015). Indonesia and Malaysia establish the Council of Palm Oil producing countries. Fratino vergano (European Lawyers).

- Gary D. Paoli, Piers Gillespie, Philip L. Wells, Lex Hovani, Aisyah Sileuw, Neil Franklin, James Schwiethelm . (2011). OIL PALM IN INDONESIA : Governance Decision Making, & Implications Summary for Policy Makers & Practitioners . Jakarta: The Nature Conservancy Indonesia Program.
- Growth, W. (2011). The Economic Benefit of Palm Oil to Indonesia. -: World Growth.
- Hai, T. C. (2002). THE PALM OIL INDUSTRY IN MALAYSIA . WWF Switzerland , 4-5.
- Gunarso, P , Hartoyo, M.E, Agus, F , Killeen, T.J. (2013). Oil Palm and Land Use Change in Indonesia, Malaysia, and Papua New Guinea. Reports from the Technical Panels of the 2nd
- Greenpeace. (2010). Palm oil's new frontier. *International Greenpeace*, 1-5.
- Grieco, J, Powell, R & Snidal, D. (1988). Anarchy and the limits of cooperation: a realist critique of the newest liberal institutionalism. *International Organization*, 285-507.
- Gunawan, S. (2018). Motivasi Indonesia dan Bekerjasama dengan Malaysia Dalam Membentuk The Council of Palm Oil Producing Countries (CPOPC) TAHUN 2015. *Thesis Ilmu Hubungan Internasional Universitas Riau* , 8-9.
- Habeeb, M. R. (2015). The Co-operative Benefits Malaysia and Indonesia in Palm Oil. *Economic Journal* , 9-10.
- Hagi, H, Hadi,S, Tety,S. (2012). Analisis Daya Saing Ekspor Minyak Sawit Indonesia dan Malaysia di Pasar Internasional. *Journal of Economic and Business*, 8-10.
- Helena Varkkey, Adam Tyson, Shofwan Al Banna Choiruzzad. (2018). Palm oil intensification and expansion in Indonesia and Malaysia: Environmental and socio-political factors influencing policy. *ScienceDirect* , 150-153.

- Hudori, M. (2017). PERBANDINGAN KINERJA PERKEBUNAN KELAPA SAWIT INDONESIA DAN MALAYSIA. *Journal Manajemen Logistik*, 97.
- Imoisi, OB, Ilori, GE, Agho, I, Ekhaton, JO. (2015). Palm oil, its nutritional and health implications (Review). *JASEM ISSN* , 129-130.
- Greenhouse Gas Working Group of the Roundtable on Sustainable Palm Oil (RSPO), 30.
- Hasan, M. F. (2018). Indonesia Palm Oil Industry : Current Status and Outlook 2018 . Jakarta: Indonesia Palm Oil Association.
- Isiksal, H. (2004). To What Extend Complex Interdependence Theorists Challenge to Structural Realist School of International Relations? Alternatives: Turkish Journal of International Relations", 140.
- Jacob, L. S. (2015). Open System of International Organization. Journal of Copenhagen Business School / Norwegian Institute of International Affairs, 5-7.
- Mafira T, Rakhmadi R, Novianti C. (2018). Menuju Rantai Pasok Kelapa Sawit yang Lebih Berkelanjutan dan Efisien di Berau, Kalimantan Timur. *Journal of Climate Policy Initiative*, 20-23.
- Mahat, S. B. (2012). The Palm Oil Industry From The Perspective of Sustainable Development: A Case Study of Malaysia Palm Oil Industry. *Thesis of Science in International Cooperation Policy* , 14-16.
- Mancini A. (2015). Biological and Nutritional Properties of Palm Oil and Palmitic Acid : Effects on Health . *Journal of MDPI Moleculis*, 17340-17341
- M. Affendy Arip, Lau Sim Yee, Thien Sie Feng . (2013). Assessing the Competitiveness of Malaysia and Indonesia Palm Oil Related Industry. *World Review of Business Research* , 143.
- May, C. Y. (2012). Malaysia: economic transformation advances oil palm industry. *AOCS* , 1-5.

- Nuryanti, S. (2008). NILAI STRATEGIS INDUSTRI SAWIT. Pusat Analisis Sosial Ekonomi dan Kebijakan Pertanian, 379-380.
- North, D. (1990). *Institutions, Institutional Change, and Economic Performance*. New York: Cambridge University Press.
- Otieno, N.E, Dai, X, Barba, D.D, Bahman, A, Smedbol, E, Rajeb, M, Jatou, L. (2016). Palm Oil Production in Malaysia: An Analytical System Model For Balancing Economic Prosperity Forest Conservation and Social Welfare. Scientific Research Publishing , 55-56.
- Pablo Pacheco, George Schoneveld, Ahmad Dermawa, Heru Komarudin, Marcel Djama . (2017). The Public and private regime complex for governing palm oil supply . CIFOR infobriefs, 3-4.
- Pacheoco, P, Schoneveld, G, Dermawan,A, Komarudin,H, Djama, M. (2018). Kompleks rezim publik dan swasta dalam tata kelola pasokan minyak sawit. Cifor.org, 2-4.
- Powell, R. (2011). *Absolute and Relative Gains in International Relations Theory*. California: American Political Science Association.
- Prasetyo, A. (2018). Keunggulan Komparatif dan Kinerja Ekspor Minyak Sawit Mentah Indonesia di Pasar Internasional. Jurnal Agro Ekonomi, 35.
- Rahuman, M. R. (ND). The Co-operative Benefits of Malaysia and Indonesia in Palm Oil. -, 11.
- Mohammed B. Yusoff, Fauziah Abu Hasan, Suhaila Abdul Jalil. (2002). Globalisation, Economic Policy, and Equity : The Case of Malaysia. OECD , 8-9.
- Norzaida, A. (2017). Determining the Best-Fit Model for Oil Palm Yield and Planted Area in Malaysia. International Journal of Hybrid Information Technology, 11-20.
- Susanti, A. (2016). Oil Palm Expansion In Riau Province Indonesia : Serving People, Planet and Profit? In A. Susanti, Oil Palm Expansion In Riau Province Indonesia :

Serving People, Planet and Profit? (pp. 85-87). Netherlands: Eburon Academic Publishers .

Sheil, D, Casson A, Meijaard, E, Gaskell J, Wertz K, Kanninen, M. (N.D). The impacts and opportunities of Palm Oil in Southeast Asia. Occasional Paper, 37-42.

Thomas, C. S. (2012, 11 12). *French Palm Oil Tax Could Increase Trans Fat Consumption, says MPOC*. Retrieved from foodnavigator.com:
<https://www.foodnavigator.com/Article/2012/11/12/French-palm-oil-tax-could-increase-trans-fat-consumption-MPOC>

UNEP. (2007). *UNEP ANNUAL REPORT* . Milan: United Nations Environment Programme.

Varkkey, H, Tyson, A, Choiruzzad, S.A.B. (2018). Palm oil intensification and expansion in Indonesia and Malaysia: Environmental and socio-political factors influencing policy. *Forest Policy and Economics*, 4-5.

W, A. K. (2012). *Orchestration : Global Governance Through Intermediaries*. Journal of Arizona State University , 14-16.

Worldbank.org. (2018). *World Bank Commodities Price Data*. Washington: World Bank.

Vries, H. J. (1999). *Standardization : A Business Approach to the Role of National Standardization Organizations*. London: Kluwer Academic Publisher .

Report

Azhari, M. A. (2017, 11 09). Why Palm Oil Matters to Indonesia . Retrieved from Globeasia.com: <https://www.globeasia.com/special-reports/palm-oil-matters-indonesia/>

Bnm.gov. (2015). *ECONOMIC AND FINANCIAL DEVELOPMENTS IN MALAYSIA IN THE FIRST QUARTER OF 2015* . Kuala Lumpur: Government Report .

Climate Policy Initiative. (2018, 08). Menuju Rantai Pasok Kelapa Sawit yang Berkelanjutan dan Efisien di Berau, Kalimantan Timur. *Climate Policy Initiative*, 28. Retrieved from Climate Policy Initiative.

Din, D. A. (2017). *Malaysian Oil Palm Industry Performance 2016 and Prospect for 2017*. Kuala Lumpur: MPOB (Malaysian Palm Oil Board).

Kharina A, Malins C, Searie S. (2016). *BIOFUELS POLICY IN INDONESIA: OVERVIEW AND STATUS REPORT*. The International Council on Clean Transportation, 9-12.

Hendaryati, D. D. (2017). *STATISTIK PERKEBUNAN INDONESIA*. Jakarta: Ditjenbun Pertanian Indonesia.

Indonesia Oil Palm Statistics . (2015). *Statistik Kelapa Sawit Indonesia* . Jakarta: media.neliti.com.
Indonesia Sustainable Palm Oil Standard . (2016).

Malaysia Palm Oil Board . (2015, 11 23). *Malaysia, Indonesia To Sign Charter of The Council of Palm Oil Producing Countries* . Retrieved from Mpob.gov.my:
<http://bepi.mpob.gov.my/news/detail.php?id=20021>

MALAYSIAN STANDARD . (2013). *Malaysian Sustainable Palm Oil (MSPO) Part 1: Guideline for Malaysian Sustainable Palm Oil*. Kuala Lumpur : Mpob.gov .

MPOB. (2007). *Malaysia Palm Oil Industry*. Kuala Lumpur : Mpob.gov.my.

MPOB. (2015). *Malaysia's Palm Oil Industry*. Kuala Lumpur: Mpob.gov.my.

MPOB. (2018). *Malaysian Oil Palm Industry Performance* . Kuala Lumpur : Mpob.gov.my.

MPOC. (2015, 03 12). *One of The World's Largest Palm Oil Exporter*. Retrieved from Mpoc.org: http://www.mpoc.org.my/Malaysian_Palm_Oil_Industry.aspx

POIC Lahad Datu. (2018). *Your Global Investment Hub*. Sabah: MIDA INVEST SERIES.
Research, C. f. (2017). *The palm oil global value chain : Implications for economic growth and social and Production*

Statistic Indonesia. (2010). *Gross Domestic Product at Current Market Prices by Industrial Origin*. Jakarta: Bps.go.id.

UNCOMTRATDE. (2012). *United Nations Commodity Trade Statistics Database*.
Comtrade Explorer.

UK Department for Environment, F. a. (2017). *UK statement on sustainable palm oil: final progress report*. Nationalarchives.gov

UNITEDNATIONS. (2009). Commodity Trade Statistics Database. -: United Nations Comtrade.

Unknown. (2007). Malaysia expands palm oil production. Focus on Surfactants, 3.

Unknown. (2015). Intensifying production: Indonesian palm oil market. Focus on Surfatants, 4.

Unknown. (2015). Intensifying production: Indonesian palm oil market. Focus on Surfactants, 4.

USDA. (2017). Malaysia: Biofuels Annual . Kuala Lumpur : United States Department of Agriculture : Foreign Agricultural Service.

USDA. (2018). Assesments of Commodity and Trade Issues . Kuala Lumpur: USDA Foreign Agricultural Service .

Worldbank.org. (2018). World Bank Commodities Price Data. Washington: World Bank.

World Growth. (2011). *The Economic Benefit of Palm Oil to Indonesia*. Jakarta: World Growth .

WTO.org. (2017). Public Forum 2017 . -: English Forum

WWF Malaysia. (2002). THE PALM OIL Malaysia. *WWF*, 4-7.

Website

Ansori, M. (2017, 06 02). *Teknologi Industri Pacu Nilai Tambah Produk CPO - Hasil Perkebunan* . Retrieved from Neraca.co.id:
<http://www.neraca.co.id/article/80734/teknologi-industri-pacu-nilai-tambah-produk-cpo-hasil-perkebunan>

Antaranews. (2016, 12 5). *Kemenperin Ajukan Berau Jadi Zona Pengembangan Sawit* . Retrieved from Antaranews.com: <https://otomotif.antaranews.com/berita/599870/index.html>

Assoication), G. (. (2018, 01 01). Peran Strategis Sawit Rakyat Indonesia. Retrieved from Gapki.id: <https://gapki.id/news/3875/peran-strategis-sawit-rakyat-indonesia>

Azzura, S. N. (2018, 05 17). FAO dan IFAD dukung Indonesia perangi kampanye negatif kelapa sawit . Retrieved from Merdeka.com:

<https://www.merdeka.com/uang/fao-dan-ifad-dukung-indonesia-perangikampanye-negatif-kelapa-sawit.html>

Bisnis.com. (2016, 10 28). *Riau-Malaysia Bangun Zona Green CPO*. Retrieved from ekonomi.bisnis.com: <https://ekonomi.bisnis.com/read/20161028/99/596975/riau-malaysia-bangun-zona-green-cpo>

bphn.go.id. (2016, 05 10). *Pengesahan Charter of the Establishment of the Council of Palm Oil Producing Countries*. Retrieved from bphn.go.id: <https://www.bphn.go.id/data/documents/16pr042.pdf>.

ceicdata. (2018). *Malaysia Production: Crude Palm Oil: P Malaysia*. Retrieved from ceicdata.com: <https://www.ceicdata.com/en/malaysia/palm-oil-statistics/production-crude-palm-oil-p-malaysia>

Comtrade, U. (2016, 04 12). *Palm Oil database in Indonesia and Malaysia* . Retrieved 03 06, 2019, from UN Comtrade: https://www.researchgate.net/figure/Palm-Oil-Export-Indonesia-and-Malaysia-UN-Comtrade-Database-2014_fig1_301234671

Conley, S. P. (2006). *What is Biodiesel?* Purdue University, 1-2.

council), (N.D, N.D N.D). *Malaysian Palm Oil Industry*. Retrieved from WWW.MPOC.COM: http://www.mpoc.org.my/Malaysian_Palm_Oil_Industry.aspx

CPOPC. (2017). *About Us*. Retrieved CPOPC.org: <https://cpopc.org/about-us/>

CPOPC. (N.D, N.D N.D). *About Council of Palm Oil Producing Countries* . Retrieved from CPOPC.orf: <https://cpopc.org/about-us/>

CPOPC.org. (2017, 12 07). *WTO Public Forum: CPOPC, The Mission and Reality*. Retrieved from CPOPC.org : <https://cpopc.org/2017/12/07/wto-public-forum-cpopc-mission-reality/>

CPOPC.org. (2018, 10 3). *CPOPC Statement on the SDGs and RED II*. Retrieved from CPOPC.org: <https://cpopc.org/2018/10/03/cpopc-statement-on-the-sdgs-and-red-ii/>

CPOPC. (2017, 07 07). *Harnessing Smallholders: CPOPC-UNCTAD Joint Research*. Retrieved from CPOPC.org: <https://cpopc.org/?s=CPOPC+Joint+Research>

CPOPC. (2017, 07 7). *WTO Public Forum: CPOPC, The Mission and Reality*. Retrieved from CPOPC.org: <https://cpopc.org/?s=WTO+>

CPOPC. (2018 , 08 21). *Rolling Out the Sustainability Movement for Smallholders*.

- Retrieved from Cpopc.org: <https://cpopc.org/?s=best+agricultural+practice+>
- CPOPC. (2018, 10 3). *CPOPC Statement on the SDGs and RED II*. Retrieved from CPOPC.org: <https://cpopc.org/2018/10/03/cpopc-statement-on-the-sdgs-and-red-ii/>
- CPOPC. (2018, 05 31). *FAO Goes with Palm Oil*. Retrieved from CPOPC.org: <https://cpopc.org/?s=FAO+>
- Dzhintl.com. (2018, 11 02). Malaysia: Ministry eyes palm oil markets in South America. Retrieved from Dzhintel.com: https://www.dzhintl.com/news-research-item.php?id=i2Matrix**3033
- Daily Express. (2016, 11 24). *KL, Jakarta Identify Palm Oil Green Zones* . Retrieved from www.dailyexpress.com.my : <http://www.dailyexpress.com.my/news.cfm?NewsID=114204>
- Detik.com. (2016, 09 01). *RI dan Malaysia Kerja Sama Garap Zona Ekonomi Khusus Sawit Garap Zona Ekonomi Zone*. Retrieved from finance.detik.com: <https://finance.detik.com/industri/3289208/ri-dan-malaysia-kerja-sama-garap-zona-ekonomi-khusus-sawit>
- Ditjenbun. (2017, 12 31). *Statistik Perkebun Indonesia* . Retrieved from [Ditjenbun.pertanian.go.id](http://ditjenbun.pertanian.go.id): <http://ditjenbun.pertanian.go.id/tinymcepuk/gambar/file/statistik/2017/Kelapa-Sawit-2015-2017.pdf>
- Ekon.go.id. (2018, 11 08). *Ministerial Meeting CPOPC Sorot Keberpihakan pada Petani dan Pembangunan Industri Kelapa Sawit Berkelanjutan*. Retrieved from www.ekon.go.id: <https://www.ekon.go.id/press/view/siaran-pers-ministerial.4353.html>
- GAPKI . (2017, 03 12). *Industri Minyak Sawit Merupakan Industri Strategi Nasional*. Retrieved from [Gapki.id](http://gapki.id): <https://gapki.id/news/1860/industri-minyak-sawit-merupakan-industri-strategis-nasional>
- GAPKI. (2015, 11 -). *10th Indonesian Palm Oil Conference* . Retrieved from [gapkiconference.org](http://www.gapkiconference.org): <http://www.gapkiconference.org/conference-details/agenda>

GAPKI. (2018, 11 2). *IPOC 2018 : 14th Indonesian Palm Oil Conference and 2019 Price Outlook* . Retrieved from Gapki.id: <https://gapki.id/news/5241/ipoc-2018-14th-indonesian-palm-oil-conference-and-2019-price-outlook>

Indagjabar. (2016, 10 25). *MENPERIN MINTA DUMAI MASUK ZONA EKONOMI CPO*. Retrieved from disperindag.jabar:
<http://disperindag.jabarprov.go.id/news/detail/eksternal/2016/10/25:10:41508c75c8507a2ae5223dfd2faeb98122>

Indonesia Investment . (2017, 03 12). *Palm Oil*. Retrieved from indonesia-investment.com :
<https://www.indonesia-investments.com/business/commodities/>

Indonesia Investment. (2015, 11 21). *Indonesia & Malaysia Set up the Council of Palm Oil Producing Countries*. Retrieved from www.indonesia-investment.com:
<https://www.indonesia-investments.com/news/news-columns/indonesia-malaysia-set-up-the-council-of-palm-oil-producer-countries/item6204?>

Indonesia Investment. (2016, 04 12). *Indonesia & Malaysia Set Criteria for the Council of Palm Oil Producer Countries*. Retrieved from www.Indonesia-investment.com:
<https://www.indonesia-investments.com/news/todays-headlines/indonesia-malaysia-set-criteria-for-the-council-of-palm-oil-producer-countries/item6697>

Ismail, M. N. (2015, 11 23). *Malaysia, Indonesia To Sign Charter Of The Council Of Palm Oil Producing Countries*. Retrieved from Mpob.gov:
<http://bepi.mpob.gov.my/news/detail.php?id=20021>

- Jukka Miettinen, et all . (2012). Historical Analysis and Projection of Oil Palm Plantation Expansion on Peatland in Southeast Asia . *National University of Singapore*, 7-10.
- Kek.go. (2016, 03 19). *KEK Sei Mangkei Siap Jadi Green Economic Zone*. Retrieved from Kek.go.id: <https://www.beritasatu.com/ekonomi/355973-kek-sei-mangkei-siap-jadi-green-economic-zone.html>
- Kemenperin.go.id. (2015, - -). *Indonesia-Malaysia Bentuk Lembaga Peningkat Nilai Tambah Industri Sawit*. Retrieved from www.kemenperin.go.id:
<http://www.kemenperin.go.id/artikel/15986/Indonesia-Malaysia-Bentuk-Lembaga-Peningkat-Nilai-Tambah-Industri-Sawit>
- KOMPAS.COM. (2018, 03 06). *Kementan: Industri Kelapa Sawit Berkontribusi Besar terhadap Ekonomi*. Retrieved from Kompas.com:
<https://ekonomi.kompas.com/read/2018/03/06/193500226/kementan--industri-kelapa-sawit-berkontribusi-besar-terhadap-ekonomi>
- EuropeanComission. (2018, 12 20). Directive 2009/28/EC of The European Perliament and The Council of 23 April 2009 on the Promotion of th Use Energy from Renewable Sources and amending and subsequently repealing Directives 2011/77/EC and 2003/30/EC. Retrieved from European Comission:
<http://eurlex.europa.eu/legal-content/EN/ALL/?uri=celex% A32009L0028>
- Gapki.id. (2018, 02 2). Memecah Rekor : Ekspor Minyak Sawit 2017 Tembus US\$ 22,9 Milliar . Retrieved from Gapki.id: <https://gapki.id/news/4129/memecah-rekor-ekspor-minyak-sawit-2017-tembus-us-229-miliar>
- Gapki.id. (2018, 08 21). Semester 1 2018, Pasar Minyak Sawit Indonesia Tertekan . Retrieved from Gapki.id: <https://gapki.id/news/5670/semester-i-2018-pasar-minyak-sawit-indonesia-tertekan>
- Hii, R. (2017, 06 12). A Close-Up Of The Malaysian Sustainable Palm Oil Scheme. Retrieved from Huffingtonpost.com: https://www.huffingtonpost.com/entry/a-close-up-of-the-malaysian-sustainablepalm-oil-scheme_us_5a285c75e4b053b5525db6f1
- Indexamudi.com. (2018, 12 31). *Palm oil Monthly Price - US Dollars per Metric Ton*. Retrieved from Indexamundi.co:

<https://www.indexmundi.com/commodities/?commodity=palm-oil&months=300>

Indonesia-Investment.com. (2015, 11 21). Indonesia & Malaysia Set up the Council of Palm Oil Producer Countries. Retrieved from Indonesia-Investments:

<https://www.indonesia-investments.com/news/newscolumns/indonesia-malaysia-set-up-the-council-of-palm-oil-producer-countries/item6204?>

Kontan.Co.Id. (2017, 12 13). Oil Palm Becomes the Largest Foreign Exchange Contributor in Plantation. Retrieved from www.korindo.co.id:

<https://www.korindo.co.id/oil-palm-becomes-largest-foreign-exchangecontributor-plantation/>

Marbun, J. (2015, 11 22). *Indonesia, Malaysia form Council of Palm Oil Producing Countries* . Retrieved from Republika.co.id:

<https://www.republika.co.id/berita/en/international/15/11/22/ny76jd317-indonesia-malaysia-form-council-of-palm-oil-producing-countries>

Marct A, G. (1996). *Conflict and Cooperation: Evolving Theories of International Relations Belmont*,. CA: Thomson & Wadsworth.

Michels, C. (2015). Palm oil In World Trade A Strategic Controversial Issue. *BTC TRADE FOR DEVELOPMENT*, 7.

Mission-Indonesia.org. (2017, 10 2). Permanent Mission of the Republic of Indonesia . Retrieved from MissionIndonesia.org : <https://mission-indonesia.org/2017/10/02/cpopc-unctad-sepakati-riset-bersama-industrisawit-dunia/>

MPOC. (2015, 27 1). *The Oil*. Retrieved from MPOC.org.my:
http://www.mpoc.org.my/The_Oil.aspx

Novianyah, A. (2015, 10 30). Indonesia, Malaysia to Set up Green Economic Zone for CPO. Retrieved from Tempo.co:

<https://en.tempo.co/read/news/2015/10/30/056714568/Indonesia-Malaysia-to-Set-upGreen-Economic-Zone-for-CPO>

Nurfaizah, S. (2018, 11 09). CPOPC Soroti Tantangan Perdagangan Kelapa Sawit

Global. Retrieved from akurat.co: <https://akurat.co/ekonomi/id-382553-read-cpopc-soroti-tantangan-perdagangan-kelapa-sawit-global>

Rahuman, M. R. (2015). The Co-operative Benefits of Malaysia and Indonesia in Palm Oil. *Economic Development Journal*, 10-11.

Ramadhani, N. (2017, 03 21). *Kilas Balik Keunggulan Industri Sawit Malaysia Atas Indonesia*. Retrieved from Borneonews.com:

<https://www.borneonews.co.id/berita/57113-kilas-balik-keunggulan-industri-sawit-malaysia-atas-indonesia>

Rana, W. (2015). Theory of Complex Interdependence: A Comparative Analysis of Realist and Neoliberal Thoughts. *International Journal of Business and Social Science* , 291.

Rasiah R, Shahrin A. (2004). Development of Palm Oil and Related Products in Malaysia and Indonesia . *Journal of University of Malaya* , 49.

Reily, M. (2018, 08 19). Kementerian ESDM Keluarkan Aturan Kewajiban B20 dan Sanksinya. Retrieved from Katadata.co.id:

<https://katadata.co.id/berita/2018/08/29/kementerian-esdm-keluarkan-aturankewajiban-b20-dan-sanksinya>

Rival, A. (2016). Certification, Labelling and Traceability aof Palm Oil : Can We Build Confidence from Trustworthy Standards? . *Oilseeds & Fats Crops and Lipids* ,

6.

- Rescue, R. (2015, April 15). *Palm oil Facts About The Ingredient That Destroy the Rainforest*. Retrieved from Rainforest-rescue.org: <https://www.rainforest-rescue.org/files/en/palm-oil-download.pdf>
- Rival A and Levang P. (2010). Palms of controversies: Oil palm and development challenges. *CIFOR*, 3-4.
- Robinson, I. (2017, 02 07). *Tight veg oil market remains at start of 2017*. Retrieved from Cereals.ahdb.org.uk: <https://cereals.ahdb.org.uk/markets/market-news/2017/february/07/prospects-tight-veg-oil-market-remains-at-start-of-2017.aspx>
- Rosli, L. (2015, 11 21). *M'sia, Indonesia Sign Palm Oil Agreement*. Retrieved from Nst.com: <https://www.nst.com.my/news/2015/11/112963/msia-indonesia-sign-palm-oil-agreement>
- RSPO. (2007). *RSPO Certification Systems*. -: RSPO .
- Smith, O. G. (2015). *An Investor's Guide to Palm Oil* . Retrieved from Toptal.com: <https://www.toptal.com/finance/market-research-analysts/palm-oil-investing>
- Saleh, S, Bagja, B, Suhada T.A, Widyapratami, H. (2018, 04 17). Intensification by Smallholder Farmers Is Key To Achieving Indonesia's Palm Oil Targets. Retrieved from World Resources Institute: <https://www.wri.org/blog/2018/04/intensification-smallholder-farmers-key-achieving-indonesia-s-palmoil-targets>
- Sawitindonesia. (2018, 11 10). CPOPC Rejects ILUC Due To Discrimination . Retrieved from Sawitindonesia.com: <https://sawitindonesia.com/english/cpopc-rejects-iluc-due-to-discrimination/>
- Sekretariat Kabinet Republik Indonesia . (2015, 10 12). *Indonesia and Malaysia Agree on the Establishment of CPOPC* . Retrieved from setkab.go.id: <https://setkab.go.id/en/indonesia-and-malaysia-agree-on-the-establishment-of-cpop/>
- Sekretariat Kabinet Republik Indonesia. (2018, 08 29). *Energy and Mineral Resource Minister's Regulation No.66 / 2018 Stipulates B20 Mandatory Use*. Retrieved from setkab.go.id: <https://setkab.go.id/en/energy-and-mineral-resources-ministers-regulation-no-662018-stipulates-b20-mandatory-use/>
- Sekretariat Kabinet Republik Indonesia. (2015, 11 12). *Indonesia and Malaysia Agree on the Establishment of CPOPC* . Retrieved from Setkab.go.id: <https://setkab.go.id/en/indonesia-and-malaysia-agree-on-the-establishment-of-cpop/>

Tengku Ery Nuradi. (2016, 03 16). *KEK Sei Mangkei Siap Jadi Green Economic Zone*.

Retrieved from kek.go.id: <http://kek.go.id/berita/2016/03/KEK-Sei-Mangkei-Siap-Jadi-Green-Economic-Zone>

The Diplomat. (2017, 03 07). *Malaysia's Path Toward Sustainable Palm Oil*. Retrieved from thediplomat.com: <https://thediplomat.com/2017/03/malaysias-path-toward-sustainable-palm-oil/>

The Jakarta Post. (2018, 11 27). *Govt plans to double B20 biodiesel consumption next year*.

Retrieved from www.thejakartapost.com:

<https://www.thejakartapost.com/news/2018/11/27/govt-plans-to-double-b20-biodiesel-consumption-next-year.html>

Theborneopost.com. (2017, 11 4). Inaugural ministerial meeting of palm oil producing countries in Bali. Retrieved from Theborneopost.com:

<http://www.theborneopost.com/2017/11/04/inaugural-ministerial-meetingof-palm-oil-producing-countries-in-bali/>

TheInsiderstories.com. (2018, 11 09). Indonesia, Malaysia Taking Strategic Steps on Palm Oil Policies. Retrieved from TheInsiderstories.com:

<https://theinsiderstories.com/indonesia-malaysia-taking-strategic-steps-onpalm-oil-policies/>

Thestar.com. (2015, 11 23). CPO prices to stabilize following CPOPC set-up.

Retrieved from Thestar.com.my:

<https://www.thestar.com.my/business/business-news/2015/11/23/cpo-prices-to-stabilise-followingcpopc-setup/>

Thestraitstimes.com. (2018, 01 25). Facing the EU palm oil policy: The Jakarta Post. Retrieved from Straitstimes.com: <https://www.straitstimes.com/asia/se-asia/facing-the-eu-palm-oil-policy-the-jakartapost>

Wto.org. (2017, 09 26). *Public Forum 2017 "Trade Behind the Headlines"*. Retrieved from www.wto.org:

https://www.wto.org/english/forums_e/public_forum17_e/pf17programme.pdf

APPENDIX

JOINT PRESS STATEMENT
5th MINISTERIAL MEETING OF COUNCIL OF PALM OIL PRODUCING COUNTRIES
8 November 2018
Putrajaya, Malaysia

The Honorable Ms. Teresa Kok, Minister of Primary Industries, Malaysia and His Excellency Mr. Darmin Nasution, Coordinating Minister for Economic Affairs, Indonesia co-chaired the 5th Ministerial Meeting of the Council of Palm Oil Producing Countries (CPOPC) in Putrajaya, Malaysia.

The meeting addressed and agreed on the following:

Malaysia will assume CPOPC Chairmanship from 1 January 2019 for a period of two years. Minister Teresa Kok wishes to acknowledge and thank Coordinating Minister Darmin Nasution for his Chairmanship and leadership role;

CPOPC is keen to expand its membership base among the palm oil producing countries and welcomes Colombia as our newest member. Being the largest palm oil producer in the American continent, the accession of Colombia as a member strengthens CPOPC as a whole and provides a strategic alliance among palm oil producing countries in promoting the interests of palm oil in the global economy. Both Ministers emphasized that CPOPC will continue to expand its membership by inviting other key palm oil producing countries;

Smallholders play an important role in the palm oil industry since they account for a substantial portion of the global output. Poverty alleviation and social well-being of these smallholders are priority for palm oil producing countries. Both Ministers emphasized the need to increase productivity and income of the smallholders through further enhancement of Good Agricultural Practices and accelerated replanting programs;


Recognizing the need to encourage greater synergy between the palm oil Industries of the member countries, both Ministers endorsed the convening of the Business and Smallholders Forum in 2019;

Highlighted the need to consolidate and increase biodiesel mandatory programs in respective member countries, as well as to encourage the use of palm biodiesel to other prospective consumer countries;

Both Ministers expressed grave concerns regarding the significant anti palm oil campaign triggered through various NGOs and even regularly supported by legislative processes in some importing countries that discriminate palm oil. These actions are viewed as highly discriminatory against all palm oil producing countries. As palm oil producing countries, we will continue all efforts to strongly counter such anti palm oil campaigns;


As palm oil producing countries, we will address various challenges emerging from the European Union's Renewable Energy Directive II (RED II). Of significant concern is the proposed controversial Indirect Land Use Change (ILUC) concept that would likely discriminate against palm oil in the EU market. On that note, both governments will not participate in the EU's ILUC workshop;

CPOPC prescribed strongly to the UN SDGs Agenda 2030 and agreed in principle to adopt these SDGs as primary drivers to attain higher sustainability commitment within the palm oil industry. These efforts similarly underscore our commitment for balancing out economic and social progress with the environment.




**KEMENTERIAN KOORDINATOR BIDANG PEREKONOMIAN
REPUBLIK INDONESIA**

Dalam Foto Lainnya



Video Lainnya




- moodyx
- Video 3. Tahun Penembatan Kabinet Kerja Jokowi JK

Link Website

- Informasi Link Kementerian
- Selaku Terbuka JPT Masyarakat/Institusi
- Online Single Submission
- Ease Doing Business In Indonesia
- Kredit Usaha Rakyat (KUR)
- Tim Pengendalan Inflasi Pokok
- Keuangan Individu
- Informasi Harga Pangan Strategis
- EITI Indonesia
- Indonesia National Single Window
- Peraturan Perundang-undangan (Undbook)
- K/VI/17 (Infrastruktur/Perbaikan)
- Sekretariat Dewan Nasional KUR
- AEC Council Indonesia
- Kerja Sama Ekonomi Sub-Regional
- Sherpa G20 Indonesia
- Joint Crediting Mechanism Sect.
- Kebijakan Satu Peta
- LAPOR
- Webmail Ekon
- Sistem Manajemen Kinerja
- Internal

Layanan Informasi Lainnya




Rekapitulasi Layanan Informasi Publik Januari-Agustus 2018
01 Sep 2018 - 10:00
Rekapitulasi Layanan Informasi Publik Januari-Agustus 2018

- **Daftar Pegawai Kementerian Perencanaan (Per Agustus 2018)**
28 Agu 2018 - 06:57
- **Pelaporan Kinerja 2017**
27 Agu 2018 - 09:01
- **Mencama Kerja Tahunan 2018**
27 Agu 2018 - 08:57
- **Laporan Keuangan Tahunan Kementerian Perencanaan 2017 (Audited)**
28 Agu 2018 - 06:47

Ministerial Meeting C/OPEC Sorot Keberhasilan pada Tahun dan Pambangunan Industri Kelapa Sawit Berkelanjutan

Kemra, 05 November 2018 - 18:05



Sumber gambar : skon.go.id

**KEMENTERIAN KOORDINATOR BIDANG PEREKONOMIAN
REPUBLIK INDONESIA**

SIAKIAN P/CHS

Ministerial Meeting C/OPEC Sorot Keberhasilan pada Tahun dan Pambangunan Industri Kelapa Sawit Berkelanjutan

Malaysia, 5 November 2018

Menghadapi tantangan perdagangan industri kelapa sawit secara global, Indonesia dan Malaysia kembali menyelenggarakan 5th Ministerial Meeting Council of Palm Oil Producing Countries (C/OPEC) di Putrajaya, Malaysia.

"Saat ini, situasi pasar kelapa sawit menghadapi tantangan berupa penurunan harga crude palm oil (CPO) dalam pasar global sekaligus isu keberlanjutan yang membuat produk CPO sulit mendapatkan akses masuk ke negara-negara tujuan ekspor. Saya percaya, momen ini menjadi penting bagi C/OPEC untuk memastikan peran sebagai forum negara penghasil kelapa sawit untuk mengkoordinasikan langkah-langkah untuk mengatasi tantangan tersebut" kata Menteri Koordinator Bidang Perekonomian Darmin Nasution saat memberikan sambutan pada Kemra (STT), di Putrajaya, Malaysia.

Dalam pertemuan ini, C/OPEC menyalahkan Malaysia secara resmi sebagai Chairman C/OPEC sehingga mulai 1 Januari 2019 menggantikan Indonesia yang diwakili oleh Menteri Perdagangan Darmin Nasution kepada Menteri Industri Utama YB Tanosa Kok.

Selain itu, C/OPEC juga memutuskan beberapa langkah strategis dalam memperbaiki daya saing di tengah tantangan pasar global, antara lain program keberlanjutan terhadap petani, penanaman Kolombia sebagai negara anggota C/OPEC, penguatan modalitas bioekonomi, dan strategi untuk mencapai kampanye hijau di pasar global.

Pertama, C/OPEC berkomitmen untuk mendorong keberlanjutan terhadap petani kelapa sawit yang berkontribusi besar dalam capaian produksi global. Kedua negara memprioritaskan persiapan kemitraan dan kesejahteraan petani melalui peningkatan implementasi Good Agricultural Practices (GAP) dan program pemertanian sawit. Kedua negara itu, keduanya juga berkomitmen untuk mengadakan Business and Smallholders Forum pada tahun 2019 mendatang.

Selanjutnya, untuk memperkuat kerja sama dengan negara penghasil kelapa sawit lain, C/OPEC menyalahkan Kolombia sebagai anggota dari C/OPEC. Perwakilan Kolombia sebagai anggota C/OPEC ini memperluas peran Kolombia sebagai salah satu negara penghasil kelapa sawit terbesar di Benua Amerika. Adapun hal ini diharapkan dapat menghasilkan kerjasama strategis untuk mempromosikan kepentingan industri kelapa sawit dalam ekonomi global.